The Credit World

National in Name—International in Scope

of the

NATIONAL RETAIL CREDIT ASSOCIATION

What . . .

Is the Most Important Credit Problem for 1956?

See Pages 16-18

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Combating the Fraudulent Check Passer

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THE ARTIST who works in the medium of oils may find that his income limits his housing to a garret room. Not so the "artist" who, working with pen, pencil and check protector, exhibits his craft in every type of banking institution, credit establishment, store and market in the country.

What is the yearly "take" of the fraudulent check writer? No one knows. That it is enormous is attested to in the fact that during the 1955 fiscal year, 23,569 bogus checks with face values totaling $3,379,966 were received by the Federal Bureau of Investigation for examination and search against the National Fraudulent Check File. The face values of the fraudulent checks received by the FBI Laboratory in the past three fiscal years amounted to nearly $10,000,000. This, of course, by no means covers the total of bad checks passed. Many police departments, sheriffs' offices and state law enforcement organizations make a regular practice of submitting fraudulent checks passed in their jurisdiction to the FBI Laboratory since they have become cognizant of the ways in which the National Fraudulent Check File can be of help to them. They know that it is particularly useful in tracing the trail of the itinerant professional check passer to the end that such knowledge makes such a person's ultimate apprehension much more certain.

What is the National Fraudulent Check File? It is one of numerous reference files maintained by the FBI Laboratory. The file contains thousands of handwriting samples—signatures from fraudulent checks—against which incoming questioned specimens are compared. It is, in short, a file designed to help identify the unknown passer of bad checks.

Checks are filed according to the method of their preparation, for example, by handwriting or hand printing, or mechanical methods such as typewriting and the use of a check protector. Each specimen is searched through the appropriate section of the file. It is examined for points of similarity and any characteristics which may result in an identification with known specimens in the file. Some fraudulent checks are written by hand. Others are written on protective paper and are validated by impressions made by a check protector. These are checked through the Check Protector Standards File. Still others may be filled in with legends written on typewriters, then rubber-stamped as to date.

As each additional fraudulent check is received from a law enforcement agency (the Fraudulent Check File, like the remainder of the FBI Laboratory, is constituted as an aid to law enforcement and, therefore, checks must be forwarded to the Laboratory by a representative of a duly constituted law enforcement agency), it is searched against the file for whatever information may be hidden there. The search may yield the identification of an unknown check passer. It may indicate that the writer is new in his field, or that he is a "big-time" operator who is continually on the move—the real professional who utilizes well-known company names, typewriters, check protectors, certification stamps and safety papers in his efforts to deceive his victims.

There are many types of fraudulent check passers. The mailbox burglar who secures canceled checks and forges authentic signatures onto similar blank check forms which are then cashed by the victim's bank is one variation. There is the amateur who has not developed a special "line." But it is the professional confidence man, the roving check passer, who creates a major problem for law enforcement. He may pass a check on the West Coast on one day and the following week another of his spurious checks will appear in an East Coast city. It is, however, his interstate check activities which bring him within the jurisdiction of the Federal Bureau of Investigation.

In 1934, the Congress of the United States recognized the fact that check forgers and counterfeiters—professional operators in the field—were becoming a real menace. In that year the Congress enacted legislation which provides punishment under Federal law for persons who knowingly cause the interstate transportation of a falsely made, forged, altered or counterfeit check or other security with a fraudulent intent. Violations of this law occur when such a check is cashed in one state and drawn on a bank in another state, inasmuch as the check passer has caused the check to be transported interstate through clearinghouse channels of the banks. Violations of this law are investigated by the FBI.

Means of Combating Bad Check Passers

Knowledge is the most effective means of combating the fraudulent check passer. Knowing the endorser of the check, the writer of the check, or absolute verification of identification gives a margin of safety, but there is always an area in which such knowledge does not extend. Therefore, knowledge of the subterfuges used by the check passer in gaining the confidence of victims is essential. The spurious check passer is never at a loss for words. He is pleasant, courteous, and usually pressed for time. Once he has developed a successful method of approach he generally follows the same pattern. He depends upon the gullability of victims to accept him for what he purports to be. Knowledge of the methods utilized successfully by fraudulent check writers in the past, therefore, may be the obstacle over

which a currently active bad-check artist may stumble.

One fraudulent check passer, traveling with his wife, three children, and a dog, drew the attention of the FBI following the theft of an automobile which contained identification papers belonging to the owner. A quantity of bad checks, reflecting the name of the owner of the vehicle, were issued following the theft which occurred in the autumn of 1950. Intensive investigation focused suspicion on one John Francis Armstrong. An FBI Laboratory check of the suspect's known writing resulted in the positive identification of Armstrong as being the writer of hundreds of bad checks passed through numerous states.

This fraudulent check writer varied his activities by stealing Government and state checks from mailboxes in apartment buildings and forging the names of the payees. Occasionally he stole printed checks bearing the names of places of business and passed them as payroll checks. He also obtained blank checks at various banks and completed and passed them under different aliases.

Armstrong opened accounts by depositing small amounts of cash, ranging from six to twenty dollars per deposit. This would be followed up the next day with a deposit of a bad check in the amount of $1,000 or more. Before it could clear, Armstrong, posing as a salesman for a well-known business machines company and claiming friendship with a bank employee who was out for lunch, would successfully withdraw large sums.

One technique which Armstrong used most successfully was that of telephoning intended victims. He would proceed to identify himself by a false name, advise that his brother or brother-in-law would be in the store as a customer shortly thereafter, and proceed to give a description of himself as the prospective customer. He would then request the storekeeper to remind his "relative" to make additional purchases. Very often on the basis of the description he would be recognized by the storekeeper immediately upon entering and given the requested message. Tendering a bad check prepared with the use of a check protector purchased legitimately from the Salvation Army, Armstrong would have little difficulty in passing the fraudulent check as his payroll check. His victims included package liquor stores, bars, small grocery stores, hardware stores, florists, music stores and television and appliance stores.

One Bad Check Passer's Technique

Armstrong successfully posed as a deep-sea diver for an oil company, a mechanic and salesman for a business machines company, an employee of a large automobile manufacturing company, a student, and, on different occasions, a member of each of the Armed Services.

Armstrong's use of ruses was such that his victims did not hesitate to cash his checks. In one instance, nonchalantly examining phonograph records for half an hour, he placed an order for classical selections to be delivered to a certain address. The proprietor felt that, inasmuch as the purchaser had ordered such selections as "John Brown's Body," he was the literary type of person and she therefore did not hesitate to cash his check. Places of business catering to parties were often victimized. Armstrong would arrange to rent a ballroom and catering service purportedly for his sister's wedding reception for which he would give an advance deposit in the form of a bad check. Just before leaving he would return and ask the proprietor to cash an additional check.

Winning the Confidence of Victims

The lengths to which this fraudulent check writer went in winning the confidence of victims are apparent in the manner in which he secured a television set. First he rented a home through issuance of a bad check. The agreement was made on the condition that he could have occupancy the following day at five since members of his family were arriving by plane. The landlady, pleased with the opportunity to rent her house so quickly, moved to a hotel in order to accommodate the new renter. Armstrong then went to a television store dealing in a well-known name brand and asked to see the largest set in the store. He stated that he wanted it for his mother and father who were old and he therefore desired a reliable dealer from whom they could obtain repair service if need be. The dealer indicated that he could have a twenty-seven-inch set available for the purchaser within a few hours. Armstrong returned later, agreed to buy the set, left an address and telephone number, and advised that he would notify the dealer as to the time it was to be delivered inasmuch as he wanted his mother and father out of the house when the set was installed. Later that evening Armstrong telephoned the store explaining that his parents were absent. The set was delivered and the deliverymen were given a check in the amount of $600. That same evening Armstrong rented a truck, loaded the new television set on it and departed his newly rented home without spending a single night in it. The following day the check was found to be worthless.

Armstrong, whose picture by now graced an FBI Identification Order, was apprehended May 7, 1954. The suspect admitted the theft of eight cars in addition to his bad-check activities. Among items obtained as a result of such activities were a blond cocker spaniel dog named "Buttons," the television set, a dog basket, electric coffee makers, jig saws, a sewing machine, wrist watch, pool table and a washing machine. Armstrong had in his possession approximately one hundred fictitious drivers' licenses issued under different aliases, a type-

writer, a checkwriter, and check blanks from various banks as well as the last automobile which he had stolen.

Armstrong pleaded guilty to more than one hundred separate violations, including some falling within the investigative jurisdiction of the Post Office and the Treasury Departments, and was sentenced to seven years' imprisonment.

Frederick Douglas George used an estimated 1,800 aliases in the course of blanketing the United States with bad checks in the period between December 6, 1951, and January 28, 1954. His usual method of approach was simply to get in line in front of the teller's cage as if he were a regular customer and present from two to seven checks for deposit. Deliberately selecting young and inexperienced employees as his victims, George cleverly allayed suspicion by casual conversation calculated to take attention away from the check to be cashed. Very often he addressed the bank employee by name, implying acquaintance, and indicating that "Over the week end I'll need a little money, so I'll cash this." He would say, "I didn't forget to endorse it this time," or he might remark, "You are looking fine today. This is some cold weather we're having, isn't it?" On occasion he might direct attention to the addition of the figures on the deposit slip. In one instance he complained throughout the course of the time he was being waited on about receiving a parking ticket, indicating that he was going right to the police department about it inasmuch as he had put money in the meter but the meter would not work. The total of the checks which George presented for deposit in the course of such conversations might vary from about $400 to $2,000, and, in most instances, were drawn on out-of-state banks. A previously prepared deposit slip and a duplicate deposit slip listing the checks George desired to deposit were handed to the teller. As soon as the teller accepted the checks for deposit and had stamped the duplicate slip, the fraudulent check passer would present a counter check drawn on the victim bank. In order to allay suspicion, the counter checks were usually written for less than ten per cent of the fictitious deposit. The authenticity of his roles was seldom questioned and George stayed a step in advance of law enforcement until 1954, when a police officer in a Texas city, conferring with an FBI agent about another matter, mentioned that several local banks had been victimized within less than an hour earlier that day. The agent recognized the method of operation and the description of the check passer as being possibly identical with the long-sought Frederick Douglas George. In a series of swift, cooperative moves, the police and the FBI followed up information that the suspect had traveled by taxi from Galveston to Houston and had a plane reservation from Houston to San Antonio where the plane was due in a few minutes. The effort was successful. George was taken into custody as he stepped from the plane. This operator boasted that through careful planning he could hit three or four banks within a period of approximately twelve minutes and then be on his way out of town. He estimated his daily "take" at approximately $100. He advised that he always used one suit of clothes when checking into a hotel, another suit while victimizing banks and a third suit as he hurried from his hotel to the airport.

Wide Variety of Methods Utilized

Each new case reflects the wide variety of methods utilized by the fraudulent check passer, from the limping young man who "paid" for an eye examination with a bad check on which he received fifteen dollars' change (he paid for an x-ray of his teeth in the same manner) to the ex-convict who enticed a young deaf-mute girl to make purchases for him with checks which he knew to be worthless. Individual violators vary from amateurs such as the youthful exchange student who, when sent to his homeland, stowed away aboard ship, made his way back to America illegally and resorted to passing fraudulent checks, to such smooth professionals as Frederick Emerson Peters. Peters first came to the attention of law enforcement in connection with writing fraudulent checks as early as 1907 and thereafter spent several sojourns behind bars. His career was concluded, at least for the time being, in 1952 when, by sheer chance, two FBI Agents recognized him in a Washington, D. C., hotel lobby. Peters was highly successful in impersonating people holding important positions in public life and appeared to take great pleasure in successfully masquerading as one of the great or near great.

But for Frederick Emerson Peters, as for every "artist" presently active in the fraudulent check field, there is an obstacle. That obstacle may be the FBI's Fraudulent Check File or an alert law enforcement officer. It may well be your firm but courteous insistence on proper identification and your verification of that identification to the fullest degree possible. ★★★

The Consumer Credit Situation

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MOST PEOPLE who are concerned about the consumer credit situation raise questions with respect to the current volume, or the rate of increase, or its quality, or the outlook for the near or the long-term future. Household Finance Corporation is engaged solely in cash lending, primarily under small loan laws. We do not acquire paper from dealers, either automobile or otherwise. Since much of what I will be saying will be primarily related to automobile and other durable goods paper, my approach is that of an economist and a student, and not a representative of an organization which is actively participating in this type of activity.

The latest estimates of the Federal Reserve Board indicate total consumer credit outstanding of a little over $34.3 billion on September 30, 1955, as compared with $5.7 billion at the end of 1945—a sixfold increase in ten years. Installment credit on the same date was $26.7 billion, reflecting an elevenfold increase in ten years. Automobile paper accounts for a little over one-half (52.2 per cent) of total installment credit. At $13.9 billion, this reflected a thirtyfold increase in ten years.

Throughout the ten-year period since the end of World War II, total short-term consumer credit and each of its major components have increased year by year almost continuously. We should point out that the amount outstanding at the end of the war was an abnormally low figure, and reflected a substantial decline during the war period when consumers retired their debts in advance of maturity, because of high incomes, and incurred relatively little debt, because of the absence of consumer durable goods. Throughout the ten-year period, commentators have called attention to the substantial increase in consumer debt, usually in comparison with the amount outstanding in 1945. Recently, however, practically all thoughtful students have recognized that the rise in the price level and ever expanding national output have been reflected in the consumer credit totals, as elsewhere. Thus, it is probably safe to say that, today, it is only the professional "viewers with alarm" who express concern with respect to the consumer debt situation solely on the grounds of the dollar amounts outstanding, or changes in the dollar volume. Practically everyone else recognizes that dollar aggregates have been reaching new highs year after year in all areas in the American economy.

Still, there are thoughtful people who have been concerned because they have found no completely satisfactory way of determining whether the volume of consumer debt has become too high in relation to the volume of economic activity, or whether the rate of change has been too rapid, in relation to other changes in the national economy. Faced with this problem, many analysts have used the ratio of consumer debt outstanding to consumer income after taxes, as a reasonably suitable measure. This ratio has been showing new highs practically each month for the last year.

For the purpose of our discussion this ratio is probably the most satisfactory one that exists. What does it show? In making a comparison, most students select a date just before the war, such as 1939, 1940, or 1941. Let us use 1940, the last calendar year before hostilities began, even though consumer credit was higher in the following year. At the end of 1940, total short-term consumer debt amounted to 11.0 per cent of consumer income after taxes; currently it is about 12.6 per cent. Installment debt at the end of 1940 was 7.2 per cent of consumer income after taxes; currently it is about 9.8 per cent.

Several factors explain the growth in installment credit which has persisted year after year:

First, the year, 1940, was still part of the economic doldrums of the '30's, when there was still widespread unemployment and a consequent hesitancy to assume obligations and to acquire durable goods.

Second, since the war, the opposite has been true. More and more families have a wider margin of income over the amounts necessary for mere subsistence spending. For example, in 1941, 85 per cent of American families had an annual money income before taxes of less than $3,000. In 1953 only 37 per cent were in this income group, and 52 per cent had an income of from $3,000 to $7,500 a year. Even taking account of the change in price level, more and more families have a larger proportionate amount available with which to buy consumer durable goods and to reduce installment contracts.

Third, changes in our social structure and living habits have also been conducive to the acquisition of family fixed assets. The lack of "household help" has made even middle-income families dependent upon appliances to assist in household duties. Installment payments on such labor-saving devices merely replace the obligation to pay wages to former servants. Nine out of ten family heads go to work by car, according to a recent survey made by U. S. NEWS AND WORLD REPORT. Payments on the car, to some degree at least, replace former transportation expenses.

Fourth, over the years there has been an increased acceptance of the use of consumer credit by an ever widening group of families. The growth of private and public pension funds, hospital and medical insurance, unemployment compensation, etc., has made families more willing and better able to acquire family assets through the use of credit.

Fifth, there has been a continued expansion of installment credit into new areas. This is reflected in the replacement of accommodation single-payment loans in banks, and in the widespread adoption of revolving credit plans by department stores for articles formerly available only on a charge-account or cash basis.

Sixth, there has been a progressive relaxation in the terms required on time-payment contracts. This relaxation reflected in part the disappearance of Regulation W, limiting terms. But it also reflects to a marked

degree a necessary adjustment to the higher prices paid for major consumer durable goods. For example, the price which new car buyers expected to pay (in 1954 dollars) rose from $2,030 in 1951 to $2,500 in 1953, and $2,700 in 1955, according to the *Survey of Consumer Finances.* This rise in the price which buyers expected to pay reflected the prevailing tendency of new car buyers to demand the latest improvements and more accessories. Similar illustrations could be cited for other products. By lengthening terms, dealers kept monthly payments in line with the income of the mass of purchasers.

These six factors all contribute to a growth in the volume of installment credit, and are reflected in the increased ratio of installment credit to national income figures, such as consumer income after taxes. These factors represent long-term trends and will, in my opinion, continue. Thus, it is probable that the ratio of installment credit to consumer income after taxes will continue to increase in years to come.

Quality of Consumer Debt

It is well to ask whether there is a point at which further growth in this relationship may be dangerous and undesirable. In my opinion, no one has come up with a satisfactory way of determining where that point is. It seems to me that the question can be answered satisfactorily only in terms of the *quality* of consumer debt and the degree to which individual families are burdened.

Let us now ask whether the present volume of consumer debt has caused trouble or is likely to do so. The best available information to show whether consumer debt *has* caused trouble is the figures covering delinquency, released monthly by the Installment Credit Commission of the American Bankers Association. These are based upon a substantial sample of the major banks. They are stated in terms of the percentage of the total number of loans outstanding which are past due for 30 days, 60 days, and 90 days or more. They are broken down into six sub-groups: automobile loans made direct, automobile paper acquired from dealers, home appliance loans, FHA property improvement loans, non-FHA property improvement loans, and personal installment cash loans. In general, the figures for recent months (the latest as of September 30) show that delinquency is about as low as it has ever been in the last ten years.

Banks hold almost 40 per cent of total consumer installment credit, including almost one-half of the automobile paper, and the lion's share of the appliance and home-improvement paper. Thus, these figures are representative of a very substantial portion of the total picture. While there are no published figures with respect to sales finance companies and cash lenders other than banks, it is my impression that delinquency was rarely, if ever, as low as it is now.

"But what," you may ask, "about the situation if we should have some real unemployment?" Let us look at the debtors to appraise their potential vulnerability. Each year, since the end of World War II, the Survey Research Center of the University of Michigan has made a *Survey of Consumer Finances* for the Federal Reserve Board. The latest information available, based on the *Survey* made early in 1955, appears in the *Federal Reserve Bulletin* for June (and you can secure a reprint of it from the Federal Reserve Board). Some people had charge accounts, or medical debt and other debt based on services.

Let us look specifically at those with installment debt, which is the most important. In January-February of this year, 43 per cent of the 54 million spending units in the United States had some short-term consumer installment debt. Three-fifths of those owed less than $500.00. Generally speaking, among those with debt, the higher the income of the family, the higher the amount of consumer debt. The *Survey* also showed that nearly one-third of those with short-term consumer debt held liquid assets in excess of their debt.

The bulk of the installment debt was concentrated in the middle-income groups. In fact, if we set up four characteristics we can pretty well describe those with short-term installment debt. The typical debtor is the head of a family; he is between 18 and 45 years of age; he has an income of $3,000 to $7,500 a year; and he has one or more children below the age of 18. Among this group, four out of every five families had short-term installment debt. This is the period of life when family responsibilities grow more rapidly than income. It is the period in life in which incomes are increasing. This is the group which was the least adversely affected in the two minor recessions that we had in recent years. Generally speaking, it is my conclusion that the debt is in relatively strong hands.

Let us ask further: have these people overloaded themselves? How much of a burden does the repayment entail? Debt repayment required 20 per cent or more of income (after taxes) in the case of 12 per cent of the 54 million spending units, and 40 per cent or more of monthly income in 2 per cent of the cases.

On the basis of this *Survey,* the 12 per cent or approximately 6 million of the 54 million spending units in the United States are potentially candidates for trouble, and the 2 per cent, or one million families, would almost certainly be in trouble if their income declined significantly. Actually, these figures are an overstatement because in the *Survey* the amount of monthly payment in 1955 was related to 1954 annual income. A certain proportion of those people had improved their financial position by early '55 and their debt had been incurred on the basis of that improvement.

Nature of Installment Debt

Some of you are thinking, and rightly so, that those with short-term installment debt also have long-term or home mortgage debt. For a moment, therefore, I will refer to the total burden, and not merely that resulting from short-term installment debt. The *Survey of Consumer Finances,* at the beginning of 1954 (published in the July, 1954, *Federal Reserve Bulletin*), contained figures on the total monthly payment required to pay off short-term debt, plus such other fixed payments as rent, payments on mortgages, property taxes, life insurance, social security and pension funds. On the average (i.e., median), the total of such fixed payments for all spending units was about $60 a month, or 22 per cent of average consumer income after taxes. For one-sixth of the spend-

ing units, the total of all of these fixed claims exceeded 40 per cent of the monthly consumer income after taxes. While the 1955 *Survey* contained no figures on the total monthly payment required, these figures for 1954 appear consistent with the picture shown by the 1955 short-term figures.

Let me revert again to short-term consumer installment debt, and call your attention to the fact that one-quarter of those with debt, at the time of the interview in early 1955, would have it all paid off within six months according to schedule. Two-thirds would have it all paid off within a year.

These facts emphasize the comparatively consistent and rapid rate of repayment and indicate that there are really no statistics available which will tell us what the situation is, today. However, I am encouraged by the available evidence. Let me quote two statements. Six weeks ago, Dr. Grover C. Ensley, staff director of the Joint Committee on the Economic Report, said: "The balance sheet of consumers was never better than it is today." Dr. Gabriel Hauge, the President's Special Assistant on Economic Affairs, was quoted in the *Washington Post* of November 5 as saying, "The consumer is still about as good a risk as the American lender has."

What, now, is the immediate outlook for consumer credit? From the first of March through the end of September, consumer installment debt increased at an average rate of $600 million per month. If this rate were to continue for a full year it would represent an increase of $7.2 billion in a twelve-month period. This would represent 31 per cent of the amount outstanding when the increase began. Many who are not concerned about the actual volume of consumer credit have nevertheless been alarmed by this rate of increase. To the extent that this increase in debt has been financed through the banks, either directly or indirectly, it would be reflected in an increase in the money supply and would have inflationary implications. Let me say at once that I do not expect this rate of increase to be maintained.

Developments Since 1953

During this seven-month period, consumer installment debt was created at an average rate of $3.2 billion per month. Repayments were about $2.6 billion a month. The disparity will decrease in the months ahead. On the one hand, there is no expectation that there will be another 7.5 or 8 million car year in 1956; on the other hand, repayments are moving upward as an inevitable result of the larger total outstanding debt. In addition, the amount of debt created will be reduced and the rate of repayment will increase as a result of some tightening of automobile terms. The latter statement requires explanation. Let us briefly review developments since early in 1953.

Prior to 1953, credit in the consumer field had been granted largely on the assumption of continued full employment, usually involving overtime. But early in 1953, financial institutions became increasingly aware of the possibility of a significant amount of unemployment incident to the shift from an economy largely supported by government defense projects to one placing its chief reliance on the sale of consumer goods in competitive markets. Then, as now, there was considerable talk that consumer credit was increasing too rapidly and that the total volume was too high. At about the same time, the Federal Reserve tight money policy attained its maximum effect. That policy made it necessary for some financial institutions to discontinue adding to their total holdings of consumer obligations. As a result of all of these factors, there was a distinct shift in operating practices and policies of consumer credit institutions. "Caution" became the watchword. Greater emphasis was placed on the soundness of the individual transaction and on the credit-worthiness of the debtor. Down-payment requirements were increased and maturities were shortened, with a consequent effect on the amount of debt incurred and the rate of repayment.

During 1954, and throughout much of 1955, financial institutions reversed the tighter policies instituted early in '53. Some of the relaxation of down-payment and maturity requirements reflected inevitable reaction when the earlier fears of delinquency were unfounded, and when Federal Reserve policy changed to one of "active ease." Some relaxation represented the adjustment of maturities to keep monthly payments in line with the income of purchasers, despite the purchase of more expensive cars. Some of the relaxation was prompted by the 1955 race for volume of the giant auto producers. All in all, terms became more lenient than ever before, and there was some use of ridiculous terms.

Rate of Increase of Consumer Debt

Again in recent months, as in 1953, we have had expressions of concern with respect to both the volume and the rate of increase of consumer debt. The Federal Reserve Board, in keeping with its responsibilities for the money supply, watching changes in total credit, types of credit, and production rates, has taken action which it considered appropriate. The rediscount rate has been raised three times in recent months, and margin requirements affecting the purchase of securities have been twice increased. Through its open market operations, the Federal Reserve Board has again permitted credit to become tighter. Also, in recent months all three Federal banking agencies and the state bank supervisors generally have been scrutinizing the consumer paper held by banks more carefully than they ever had in the past. It is probable that this scrutiny is having salutary effect of eliminating excessively lenient terms of sale. The tighter money market probably is making it difficult for sales finance companies and cash lenders to increase their bank lines. Thus, to some degree, history may be repeating itself, affecting both outstanding volume and terms.

If new car volume in 1956 is about 6 million instead of this year's 7.5 million, I expect credit volume to level off next year. Installment debt created and repaid will balance out at about $2.8 or $2.9 billion a month, with marked seasonal variation, of course.

There are some who feel that we cannot create that volume of installment debt next year. I do not share their misgivings. Basically, consumer demand depends on consumer income. There is every expectation that consumer income will continue at a high level.

In seven of the nine years since World War II, consumers in the aggregate have spent between 11 per cent and 13 per cent of their income after taxes for consumer durable goods. (In 1946, the rate was 10.4 per cent, in

1950, it was 14.2 per cent, in 1952 and in 1954 it was 11.4 per cent, and in the first half of 1955 it was 13 per cent.) I expect consumer expenditures to be between these limits in 1956, in the absence of a shock to the consumer outlook.

Admittedly the consumer's stock of family equipment is sufficiently large that he can live off his fat, if a shock to his outlook prompts him to do so. But you know that those articles which are theoretically closest to the saturation point attain the largest output, year after year, and the largest sales. In other words, it is the manufacturer's and the seller's job to give such values in the current year's model as to create a demand for it even though present equipment is performing satisfactorily.

The *Survey of Consumer Finances* made in January and February of this year showed a higher rate of consumer confidence in the future than in any other year since the first *Survey* in 1946. The interim *Survey* made this summer does not change that outlook. Our discussion earlier of the quality of consumer debt also does not lead me to believe that the amount of debt now existing will deter the mass of consumers from buying consumer durable goods at a high rate in 1956.

There is one further fact revealed by the *Survey* which has received relatively little attention. People who have utilized consumer credit to buy durable goods are likely to do so again within a relatively short period of time after they have paid down or paid off their obligations. This emphasizes the very basic fact that the average American family, at the period in life when its needs are expanding more rapidly than income, uses and re-uses consumer credit to acquire those family fixed assets which are an increasingly important part of the American scale of living.

What is the long-term outlook for consumer credit? Both official and unofficial forecasters, amateur and professional, predict continued higher output by the American economy, and rising standards of living, if, in the words of President Eisenhower, "we manage our affairs wisely and adhere to policies which evoke a maximum of private initiative and enterprise."

We can look forward to having a national production of goods and services twenty years from now, of 2 or 2½ times the present total (in terms of present prices). The average wage earner, whose income today is from \$3,000 to \$7,500 a year, will earn from \$5,000 to \$12,000 or \$15,000 twenty years from now.

The inherent drive in the American people for improvement in their own lot and that of their families will not change. It is the key to our emphasis on education and vocational improvement; it is the key to our desire for physical goods; it is the key to our desire for leisure in which to enjoy the fruits of our labors, to seek spiritual enrichment, or to visit the beauty spots of our country and the world. It is a drive which does not exist in those countries where people find themselves frozen to the lot to which they were born and thus, through frustration, become victims of communistic appeals. This American drive for self-improvement is an important factor in increasing our needs and our desires as fast as our incomes permit.

But if mass demand is to be sustained and progressively expanded, the average family must be able to continue its sound use of consumer credit. Its volume must grow to keep pace. The average family needs the *convenience* of charge accounts for its day-to-day transactions, the use of the time payment plan to *raise* its scale of living, and the *safety valve* of personal installment cash lending to enable it to meet those emergencies which are unavoidable in a free economy. ★★★

A Calm Look at Debt Adjustment

Charles V. Neal, Jr.
***Executive Secretary,* American Association of Credit Counselors**
Des Moines, Iowa

IN AN EFFORT to justify his existence, the debt adjuster must be careful not to present himself as a cure-all. In many cities debt adjustment has worked excellently. In other cities we were never given a chance. In a few cities the wrong people got in our business. Every credit counseling firm has had many cases which fell apart before any real service could be rendered. Sometimes it is our fault, sometimes it is the debtor's fault, and sometimes it is lack of reasonable cooperation. Often the fault lies in circumstances beyond our control, that is, loss of income or employment, family emergencies or collapse of family morale in face of debt. In spite of this, we can show that we do rehabilitate the vast majority of families whose affairs we handle. We need not be the only approach to a problem, however, in order to justify our existence.

Better Business Bureaus, in a few localities, misunderstood our function, and as one local bureau puts it, "the lack of rules of the game is causing many woes." Many Better Business Bureaus have supported us and are quick to admit that we perform a useful function if we conduct our business properly. Better Business Bureaus have a service to perform in this economy. This service is to publicize bad practices. No citizen in his right mind, however, would delegate to the bureaus a final determination as to the justification or economic necessity of any form of free enterprise. Until the State Legislatures provide the ground rules, the Better Business Bureaus cannot be sure what is ethical and what is unethical within any given industry. Concern has been expressed over our rapid increase in number. If we render a service, there is no cause for alarm.

Many debt adjusters are in the peculiar position of being praised by debtor and creditor in their local communities, and still exposed to criticism on a national scale. There has been a great hue and cry by *pros* and *cons* across the country. A calm look is in order, and we must analyze all the alternatives suggested by our critics. Several alternatives have been suggested. *This is a prima facie agreement that a problem does exist* regarding overindebted families. It matters not whether 5 per cent or 20 per cent of the population is overindebted, as long as there is a problem. Our economy demands a solution.

Some critics, having tarred us with public-opinion media, are now looking to the State Legislatures to supply the feathers. The feathers are, of course, abolition. Having admitted a problem exists as to overindebted families, our enemies are attempting to kill what many people believe to be the best approach to debtor rehabilitation. Why are they doing this?

Scores of credit bureaus and responsible collection agencies have been engaged in debt pooling for many years and have been charging rates similar to rates charged by the members of the American Association of Credit Counselors. Some social agencies, credit unions, and employers have been pooling debts at a reasonable charge to the debtor or, in a limited number of cases, at no charge. Even Chapter XIII of the Bankruptcy Act started out as a type of pooling plan, or debt-adjustment arrangement, prior to its incorporation into Federal Law.

Some lawyers have been operating debt pools without court action and have been charging rates ranging from those fixed by debt adjusters to several times as much. Does this mean the field should be restricted to lawyers or that credit counseling really should be considered the practice of law? The Conference on Personal Finance Law held a debate in 1955 on this subject in Philadelphia, and the distinguished judges, by a two-to-one vote, decided we were *not* practicing law. This was, of course, a bitter blow to the Conference on Personal Finance Law but we could have anticipated the decision for them. The chairman of the American Bar Association Committee on Unauthorized Practice had come to the same conclusion long before.

Debt Pooling Does Work

What we are trying to prove is that debt pooling, or debt adjusting, does work and that even some lawyers use it rather than Chapter XIII of the Bankruptcy Act. This does *not* mean that Chapter XIII (Wage-Earner Plan) is of no value and that it should be abolished. As a matter of fact, it is the only effective alternative to debt adjustment.

The "do-it-yourself" plan is often expounded as a solution to overindebted people. "Face up to your responsibilities," sing the soothsayers, "and peace will descend." The debtors, themselves, laugh this one off. They *have* tried, and repeatedly failed. Any "do-it-yourself" arrangement after debt-complication sets in results in special benefits to the uncooperative creditors with no benefit to the more responsible element of the credit community. The family either needs help or it does not need help. If the family is in so deep that it is willing to face the music and ask for help, it must need it.

State Amortization Programs are often suggested as a good alternative to debt adjustment. Few states have these plans, and those few are usually inadequate. For instance, Ohio has been held up as a shining example by people who do not have the job of collecting accounts in Ohio. As a matter of fact, such court procedures have proved so ineffective in Ohio that they may be disregarded as a solution. Ask credit people in Ohio. To modify the old laws, or to introduce new ones, might be in conflict with the Federal Government's exclusive jurisdiction over bankruptcy. Anyone who seriously suggests these plans has his tongue in his cheek.

Family social agencies are next for discussion. The sociologist is concerned with consumer credit because of its impact on family life. They do not pretend to be credit technicians. Their budgets would not allow a mass handling and week-by-week budgeting and counsel-

ing, which are necessary to efficient debt adjustment, and the personnel problem is too great. They have their hands full now. In a few cities, social agencies have attempted pro-rating, but not on a large scale. We are amused that our critics would suggest the sociologist as an aid to overindebtedness, since a few years back these same critics were rebuking the sociologist for his lack of knowledge regarding consumer credit.

Legal Aid cannot be of any great assistance since many lawyers take the justified view that if a man can pay his creditors, he can pay his lawyer. Legal Aid cannot be considered a solution to this problem. Most Legal Aid men will admit that if they were saddled with it, they would simply be forced to send people to outside lawyers and that the result would be mushrooming bankruptcies.

Technique of Debt Adjusting

Consolidation by a lending agency is seriously suggested. This can be quite effective where no serious debt problem exists. Any debt adjustment customer would be happy to lump all his debts in one loan. He has probably tried it several times, and the "consolidation loans" are only some of the items in his debt list. What he really needs is constant advice and management, as well as a tight rein. He has little security for a large loan, and has usually tried to get progressively larger and more frequent cash advances. Lending agencies cannot help most of these families. Debt adjustment firms are not in competition with lending agencies, nor should they ever be. Competition is obviously eliminated by the amount of debt involved.

As to proposing straight bankruptcy as a solution to the debt-loaded family, we can scarcely comment. If it is satisfactory with the creditors, it is satisfactory to the debt adjuster. We spend our days trying to prevent bankruptcies. Our only comment is that straight bankruptcy is rarely necessary, if there is any reasonable cooperation within the credit community.

The effective alternatives available to an overloaded debtor finally resolve themselves to debt adjustment *or* Wage-Earner Plan under the Bankruptcy Act. Debt adjustment, or pooling, is a *"credit"* approach to a credit problem. When the adjustment method becomes involved with enforceability of contracts or creditor-debtor rights, it ceases to be a credit problem and becomes a legal one. Chapter XIII is the only answer in these cases. At least it is certain that a debtor needs a lawyer, if necessary cooperation is not possible otherwise.

Debt adjustment, or credit counseling, must be on a cooperative, agreeable basis. If one element of the credit industry refuses to cooperate with reliable pooling plans, it does not prove that debt adjustment is a "racket" or of no value. Is it not possible that the uncooperative creditor is the one whose motives should be suspect, and not the agency which tries to bring about relief and an amicable agreement?

A. B. BUCKERIDGE, Secretary-Manager, Memphis Consumer Credit Association, Memphis, Tennessee, says: "In my 35 years of Credit Bureau service I have found that there is a definite need for honest debt management companies. My reference is to those companies who take their fee as payments are made by the debtor. I thoroughly oppose any operation where the fee is taken out in advance, which often leads to the situation where the debtor is worse off than before he sought the aid of the debt manager."

Chapter XIII is just as dependent upon creditor cooperation as is debt management. Any secured creditor can refuse to accept. The specter of bankruptcy or public opinion usually brings an uncooperative creditor into line. Would this not be equally true of debt adjustment, provided debt adjustment is recognized as a worthy function and not a social malignancy? After all, what you really need is some agency through which credit people can cooperate with confidence.

Debt adjustment is usually less costly than Chapter XIII, except that Chapter XIII costs are often offset by creditor concessions such as interest waivers, or an actual composition (fractional settlement). Also, under Chapter XIII, an attorney can protect a debtor from added carrying charges, or from fraudulent claims.

Usually the attorney and the trustee under Chapter XIII are "entrepreneurs." They are *not* doing charitable work. Debt adjusters, too, are private businessmen. This does not make either service worthless, however, unless free enterprise has developed an inferiority complex. Must things be free to be of value? Indeed, the actual experience of many disillusioned employers is that a "paternal" or free service soon loses its value and comes to be regarded by the debtor as simply an imposition.

Chapter XIII is *long* on liquidation and *short* on counseling. Pooling, or debt adjustment, in general has a warmer side to its nature, probably because there is no "hold" over the family, and the success of the plan rests on the confidence the debtor has in his agent. Chapter XIII is weak regarding new credit, handling of house payments, and child-support payments. Debt adjustment is more flexible. Chapter XIII obviously removes the debtor farther from any contact with his credit granters.

Chapter XIII could have a higher percentage of workout because it is more easily enforced. However, you cannot press a deadbeat even under Chapter XIII, for he can skip or request straight bankruptcy. Wage-Earner Plans depend on the ability and desire of the trustee, just as debt pooling succeeds or fails because of the adjuster.

Both plans are good if properly administered and accepted. Neither can work under hostile surroundings. The plans are not necessarily competing, since, in many cases, they handle different types of people. The income level of the debtors and size of payments made under Chapter XIII plans are considerably lower than under successful debt management plans.

Creditors should resist vigorously any organized attempt to abolish or strangle *either* plan. You should not abolish anything that has some merit; you should try to regulate it and improve it.

In conclusion, please remember that the voices of criticism are more often heard than the voices of praise. The fact that members of our Association have operated for 25 years or more in their respective communities proves that a great deal of creditor acceptance exists. Our loudest attackers have been cooperating with ethical debt pooling plans for over a quarter of a century, and have referred many accounts to us. Few people could spend time in one of our offices without being convinced of the necessity of credit counseling. ★★★

Credit Sales to Young People Under Legal Age

ELIZABETH MITCHELL, ***Credit Manager,*** **Three Sisters, Birmingham, Alabama**

AS OUR particular business serves ladies and young working girls, it is only natural that we obtain their patronage and good will as early in life as possible and that we endeavor to serve them so well that we can retain them as lifelong customers. For in this business it is the repeat customer to whom we must look, not only for the fact that she centers her buying here, but that, like a magnet, she draws her friends and associates into the store that serves them so well.

A large percentage of our business is done with the young single or married girl below the so-called legal age. We have found that the young girl is a better credit risk than an older one who has a family of her own. The young person does not usually have any obligations to speak of and her first thought is to be stylishly dressed and have a variety of clothes while the older married ladies are struggling with their husbands trying to live on the budget and meet the automobile and furniture notes and raise a family.

Opening accounts for young girls is a real pleasure. The usual procedure mainly consists of getting them to talk while I listen, an occasional question keeping them talking. This way I find out about their family background, general outlook on life, and how they like their jobs. Background does not pay bills but when a youngster has been raised in good environment with a family that takes pride in meeting their obligations it is a good bet that she has inherited some of those qualities.

One of our main interests is their employment. Good firms usually investigate their employees and hire efficient people, and usually take an interest in their employees and will, as a general rule, insist on their paying their obligations. The length of job experience depends a lot upon the type firm by which they are employed. I have opened up accounts for some girls who have been working only three or four months. For girls employed in more transient type jobs, where the turnover is rather large, I require six or eight months' employment before opening an account. Of course if a reliable parent wants to co-sign the application we do make exceptions.

Before opening the account a little indoctrination speech on credit goes a long way in keeping the account prompt and active. I explain that credit is a trust—by extending them credit the store is saying that it believes them to be trustworthy and that they will honor their obligations. Credit is a big asset in many ways. It has a bearing upon their success. Employers scan your credit records closely and know from experience that a good credit record means that you can and do live within your means and are successful in managing your affairs and that confidence offsets any question as to your not being honest and trustworthy.

I seldom worry about their age because I am yet to have one claim for non-responsibility of youth. As a matter of fact, our credit losses have been less than one per cent for the past ten years and the smallest portion of this has been with young girls under legal age. We do limit their buying so that they cannot overobligate themselves.

We have two basic types of credit, the regular open account and our "Ten Pay Plan," which is a ten weeks' club or contract account. The amount of credit on this plan varies from a limit of $20.00 to $100.00. I might add there are not too many of the latter. The limit is, of course, set by the girl's income. Her weekly payment is one-tenth of her credit limit.

On the Ten Pay Plan everything is transacted right from the card. Every purchase and every payment is recorded on it just like the ledger shows. At the top is clearly shown the credit limit; you can quickly deduct the payments from the charges and see the amount of credit left to be used. The salesgirls and the cashier are instructed not to write up sales when the customer is over her balance. This system works beautifully. The customer can rush in during her lunch hour, pick out her purchases, present her card to the cashier and with no waiting around for checking with the front office for credit standing, etc., walk right out and back to work. The flow time through the store is speeded up greatly. As long as the account is below the specified limit it remains in force. When one card is used up another is issued. A small carrying charge is added to each sales slip and goes to make up the total purchase just like tax.

We have found that our sales volume is greater and we can depend upon more regular business this way than in trying to do more cash trade. Our salesgirls are taught to promote this type of charge business and when the flow of new charge applicants slacks off from a particular salesperson we check up on her sales technique. It must be the more popular type charge at our store, as 75 per cent of our credit sales are done on this plan.

This type of credit is easier to use and easier to maintain. We check our accounts once a week and age them if they are behind. Should the account get too old we send the name to the cashier and send the customer a notice that she has missed several payments and that her account has been flagged to contact the credit office before making any additional purchases.

Selling young working girls on credit is certainly an asset to us and their legal age does not bother us for one minute. ★★★

NOTICE

To Local Association Secretaries:

It is frequently advisable to communicate with the President and Secretary of Local Associations. This information is missing in many instances.

Will you please forward us the names of the Officers and Directors of your Association, together with the name of the firm and address. We should also like the month in which your annual meetings are held.

The Resellers Approach to 1956

GORDON W. GRAY
Manager, Credit Bureau of Cleveland,
Cleveland, Ohio

FROM A CONSUMER credit viewpoint the approach to 1956 by all credit granters appears to me to be quite similar. The credit granter will be in the interesting offensive position of maximizing credit sales and the defensive position of more carefully screening all applicants to minimize losses.

With continued good employment and income, there is sure to be increased promotion for more credit customers. There may be some new promotion ideas but terms cannot become much easier than "no down-payment" and "three years to pay"—although a recent news item indicated the possibility of 42 months. Despite such advertising, it does not mean that all applicants receive such terms. It remains a sound question of how much credit the applicant is carrying and how he meets his repayment obligations.

Our Credit Bureau of Cleveland, representing over 3,000 subscribing members, large and small credit granters in many lines of business, and the 2,856 members (1,800 credit bureaus and 1,056 collection offices) of the Associated Credit Bureaus of America, exist for the sole purpose of assisting credit granters with their credit promotion and credit control programs.

Two Types of Service

There are two thoughts along sales promotion lines that I would like to present. Our Credit Bureau in Cleveland and many members of the Associated Credit Bureaus of America have a service known as "Newcomer" or "New Arrival" service. In our service we write a welcome letter to selected persons who move to Cleveland, give them a form to execute and offer to assist them in establishing their credit. A credit report is obtained from the Credit Bureau in the city of their former residence. We even get reports on those who do not respond to our offer of assistance. In addition to these reports, both good and bad, going to our files for future reference, the good reports are sent to those subscribers who have a standing order with our Credit Bureau to furnish reports on all new residents who would make good credit customers. This is one thought for sales promotion in 1956.

The other thought pertains to customers you may miss because of a credit extension policy that is too restrictive. It is not my intention to tell you how far you can afford to go with your credit policy but I have seen a number of examples of rejections that might have been profitable credit accounts. These usually are cases where an applicant has a 60- or 90-day pay-habit with no suits or collections but is rejected because everything is not paid in 30 days. This is difficult to explain to an irate citizen who calls the Credit Bureau and says, "The X Oil Co. turned me down and said it was because of the Credit Bureau. I pay all my bills. Stores and others consider me a good credit risk, so why are you blackballing me?"

I believe it to be questionable policy and public relations to automatically refer these rejections to the Credit Bureau or to discuss the Bureau record without first contacting the Credit Bureau about the report. These people may be your "cash customers." Many times the rejection involves another member of the Credit Bureau who is quite satisfied with a slower pay habit than you would condone, and it places that member in a bad position with the subject of the credit report. However, the main point of my suggestion is to take another look at some of these to see that you are not missing some business.

The assistance of a Credit Bureau to its subscribing members in the control of outstanding credit or credit extension is no better than the cooperation it receives from such members. Where membership is open to all reputable credit granters in the community and they fully cooperate, you have a powerful aid to all credit granters. Every Credit Bureau is built upon the idea of a "Two-Way Street" with members inquiring on all applicants and reporting their own account information to the central files. It is a "Give and Take" proposition.

Reporting all past-due accounts and collection accounts is a very important habit which not only protects other credit granters but may also aid the one reporting to collect his account. We see this happen every day where an applicant seeks credit with someone else. We have noted an increased interest in the reporting of this information on the part of petroleum companies. I should add that report also should be made to the Bureau when such collection or past-due account is paid.

There is another aspect to this cooperation which relates to time service in rendering reports. It stands to reason that the more information requested from a Credit Bureau on an applicant, the longer it will take to secure it. In Credit Bureaus where subscribing members follow the "Give and Take" principle, you find a wealth of up-to-date *information already in file* and many members find it adequate for their credit extension purposes. Think of the time saved here in passing on credit applications.

In addition to this closer cooperation I would suggest a consideration of the collection facilities of your Credit Bureaus. Use of these collection offices not only automatically places a record of the debt owing in file but also results in substantial recoveries.

In summarizing these brief thoughts on the approach to 1956, it appears to me that we face another good year with attention directed to increased promotion of credit and increased vigilance in its control by closer cooperation with your respective Credit Bureaus, and their closer cooperation with you. ★★★

To do more business profitably, and to help locate "lost customers," always take a complete credit application from all new accounts and check these through your Credit Bureau.

National Retail Credit Week—1956

IN AN earlier issue of The CREDIT WORLD we made several suggestions for *National Retail Credit Week*, Sunday, April 22, to Saturday, April 28, 1956. The appointment of a special committee was urged to prepare plans for local participation in this important annual credit educational event. We hope the committees are hard at work now with careful preparations so that when the "week" arrives there will be no slip-up in co-ordinating the various activities.

The widest possible publicity, of course, is essential for a successful observance of *National Retail Credit Week*. Streecar and bus cards offer a valuable publicity medium. To illustrate this, here is an excerpt from the comprehensive 1955 report of the Educational Committee of the Dallas Retail Credit Managers Association concerning streetcar and bus cards: "The Committee, through a contract with the Transportation Advertising Company, had credit slogans artistically and attractively printed on 11" × 28" cards and displayed in 562 streetcars and buses, not for National Retail Credit Week only, but for a period of one month. The records indicated our street railway transportation system has approximately 5,000,000 riders per month, which is nearly 200,000 per day, and a percentage of the riders undoubtedly read the advertising cards. If one out of ten or even one out of fifty noted the message, the results would be considered good."

These messages should be short and to the point because only a few seconds' reading time is given them. Here are a few suggestions for such cards:

A Good Credit Record Is Your Most Valuable Asset.
Buy Wisely . . . Pay Promptly
(Local Association Emblem (N.R.C.A. Emblem)

* * *

Worth more than gold!
A Good Credit Record Is a Sound Foundation
For All Business Transactions

* * *

It's nice to be able to say "Charge It"!
Credit Is a Practical Servant to You!
Use It! Protect It!

* * *

CREDIT

Is *Your* Servant—Use It Wisely—Pay Bills Promptly
Free Booklet "The Good Things of Life On Credit"
Write for It!

* * *

Credit Is *Your* Servant—Use It Wisely
Pay Bills Promptly

* * *

For *Meet Your Obligations Sunday*, April 22, 1956, we suggest a placard reading:

GO TO CHURCH
SUNDAY, APRIL 22
"MEET YOUR OBLIGATIONS" SUNDAY

Such placards should be displayed everywhere possible during the entire week preceding Sunday, April 22. Local committees should pledge themselves to advertise "Meet Your Obligations" Sunday as fully as possible in order to induce church attendance and thereby make the movement a success from the standpoint of the churches as well as of the merchants.

N.R.C.A. is offering an attractive poster for general display during *National Retail Credit Week*. The wording on the poster is as follows:

CREDIT IS THE FOUNDATION OF COMMERCE
GUARD YOUR CREDIT AS A SACRED TRUST
THE CREDIT BUREAU IS THE GUARDIAN OF CREDIT

* * *

Displayed in store windows and other vantage points, these placards, printed in seven colors and measuring $17\frac{1}{2} \times 12\frac{7}{8}$ inches, will draw much favorable attention, stressing as they do the important role that retail credit plays in our economy. We are confident that local merchants and firms will gladly cooperate in displaying them prominently. We suggest they be placed on view after the placards urging church attendance on "Meet Your Obligations" Sunday, April 22, 1956, have been removed, probably late on Saturday, April 21, 1956. They should remain all during *National Retail Credit Week*.

Order Posters Now

To stimulate the widest possible use of these colorful posters, which are reproductions of an original painting, we are making a special price in quantities of ten or more for this period only. *National Retail Credit Week* local committee chairmen are urged to send orders immediately to the National Office.

In addition to poster and card advertising, local associations are urged to consider using the new N.R.C.A. "Pay Promptly" newspaper advertising. Included in the portfolio of helpful materials, sent to chairmen of local *National Retail Credit Week* Committees on request, will be a free copy of our new advertising portfolio. This contains 18 newspaper advertisements. Mats can be secured from the National Office at modest cost. They allow space for printing the name of the sponsoring local retail credit association or credit bureau.

Shown below is a newspaper mat designed for inclusion in the advertising of member stores and firms to publicize *National Retail Credit Week*. These mats are also obtainable from the National Office.

National Retail
Credit Week
APRIL 22-28, 1956

What Is The Most Important Cr

The formula for 1956 . . . Sell goods at a profit; avoid selling credit. Remember, consumer credit is a vital force in our national economy. We, the credit granters, are the custodians of this great sales producer. Our big problem for 1956 is to withstand the temptation to allow consumers to weaken their personal credit with unsound buying. Keep the customer solvent and you keep the nation prosperous.—Henry C. Alexander, Credit Manager, Belk Brothers Company, Charlotte, North Carolina.

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In my opinion, optimism will prevail, particularly during the first six to eight months of 1956. Income and governmental expenditures for housing, highways, schools, hospitals, etc., are all at a peak level. This optimism is reflected in increased credit extension which must be controlled lest there be some serious aftereffects. There are indications at present that in certain areas there is overextension of credit brought about by the enthusiasm to get every dollar of sales volume. It is imperative that credit men keep abreast of economic conditions and be flexible, so that they use sound judgment in the extension of credit in today's all-time high economy.—Arthur B. Baer, President, Stix, Baer and Fuller, St. Louis, Missouri.

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Far too many vendors, and especially automobile dealers and stores selling durable goods, have relaxed their credit terms too much. Down payments have been cut below those which sound business practices dictate, and length of time for repayment has been spread out too far. This trend has created the most important retail credit problem for 1956. Even a slight dip in the economy could prove disastrous to many who have resorted to selling terms instead of using sound merchandising practices. Naturally, this has caused concern to many Federal officials and economists. The result might well be enactment of a law by Congress establishing permanent control over consumer credit by the Federal government.—Myron R. Bone, Vice President, American Industrial Bankers Association, Fort Wayne, Indiana.

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The primary credit problem in 1956 will involve equities. Competition for sales has resulted in increasingly smaller down payments and longer maturities. Beginning without adequate equities, long terms do not enable the customer to build them. Without them, under pressure, the customer loses incentive to pay and, in the event of repossession, the creditor suffers loss. This problem will be acute in automobile financing. To dispose of new models, dealers are already resorting to gimmicks and easier terms. The difficulty is enhanced by the factories abandoning the practice of publicizing the sales price of their products. With local dealers setting the prices, we face a problem of inflation and this, together with smaller equities and longer maturities, may well cause credit granters to beware.—L. A. Brumbaugh, Assistant Vice President, Valley National Bank, Phoenix, Arizona.

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The most important problem in 1956 is to avoid the overloading of customers beyond their ability to pay. While recent statistics show that 57 per cent of the public has no instalment debt, there is a segment composed of individuals who do not realize that they are approaching the dividing line between ability to pay promptly and becoming so slow they are in danger of losing their credit reputation. With the great swing to instalment credit as a means of selling merchandise, stores which advertise revolving, extended, or continuous credit accounts must carefully check on the debtor's present monthly debts to determine if the new sale will be the straw that broke the camel's back. The best way to prevent individuals from overbuying is for every firm that sells on monthly payments, makes personal loans, or finances hard goods or automobiles to report to the credit bureau every commitment which involves a payment of $5.00 or more a month. Then by comparing the applicant's income with his total debt and how much he is obligated to pay monthly, the selling firm can determine if he is overextended or not.—A. B. Buckeridge, Secretary-Manager, Memphis Consumer Credit Association, Inc., Memphis, Tennessee.

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Judging by the high rate of employment now and in the foreseeable future, it is evident that credit sales promotion and credit sales themselves will continue to expand. Because of this, I am afraid the present tendency will increase to consider no news as good news so far as the applicant's ability to pay is concerned. In all cases of overbuying the reason must be either that present indebtedness records were incomplete or that available information was not utilized. Knowledge of a new customer's obligations elsewhere and the amounts owing is always valuable to the manager of credit sales, but it will be even more so in 1956. The time and effort necessary to check ledgers for amounts presently owing are a mounting burden upon stores and bureaus alike, but there seems to be no short cut to the kind of information credit executives should have to do their best screening. Gimmicks to curtail and even to eliminate ledger clearances and experiments with "negative" types of reporting, fall far short of what is going to be necessary this year. I believe that supplying complete ledger information, with special attention given to balances owing, continues to be any bureau's Number One obligation to its subscribers. How to get it faster with the least resistance from our volume stores will be the major credit bureau problem, at least, of 1956.—Frank T. Caldwell, Retailers Credit Association of San Francisco, Inc., San Francisco, California.

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The most important retail problem that confronts us in 1956 will be collections. In our efforts to secure more business we have extended terms, made new types of credit plans allowing time, and have not insisted on prompt payment on thirty-day accounts. As a consequence the public needs re-educating in prompt payment of credit obligations. While I do not believe that our credit losses will increase appreciably, I do believe that we will have the cost of carrying accounts unless effort is made by all credit personnel to insist on prompt payment on accounts.—F. G. Cimmerman, Credit Manager, Neiman Marcus, Houston, Texas.

★ ★ ★

One of the most important retail credit problems confronting credit granters in 1956, in my opinion, will be that of avoiding further extensions of credit to people who are already burdened with debt to the limit of their capacity. Accounts of people who are overloaded with debt become collection problems and, of course, often result in charge-off. Federal Reserve figures tell us that a substantial number of our consumers are carrying heavy debt loads. Even a mild reduction in our present high level of employment could make it extremely difficult for many of their customers to meet their obligations. To avoid excessive collection problems and losses in 1956, it would seem advisable that credit granters:

1. Clear all new applications through their credit bureaus.

2. Check with their credit bureaus in all cases where the customer appears to be making excessive purchases or is slowing up in his payment performance.

3. Report to their credit bureaus seriously delinquent accounts, accounts that have become collection problems, and all other unsatisfactory experience with credit customers.

By following such practices, credit granters will not only protect themselves against unusual credit problems and losses but will materially assist one another in avoiding such problems and losses.—W. D. Conel, General Manager, Retail Merchants Credit Association of Los Angeles, Los Angeles, California.

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The important credit problem we will have to deal with in 1956 is the proper training of credit department and credit bureau personnel to enable them to keep pace with the modern, fast trend of consumer credit extension by:

lit Problem *For* 1956? The Current Trend Of Credit Thought

1. Educating credit personnel to the importance of making fast clearances on credit bureau inquiries in a courteous, efficient manner.

2. Educating credit personnel to understand that credit bureau personnel, by rendering prompt and accurate reports, enable their employer to do more credit business, thus increasing profits.

3. Educating bureau managers so they will take more interest in seminar training, provided for them by their national trade association, the Associated Credit Bureaus of America, which will improve the caliber of personnel and result in the more efficient handling of their work.

4. Educating credit bureau personnel so they will understand that credit granters make it possible for credit bureaus to employ them; that they should serve them in a prompt and efficient manner in order for them to increase sales and profits. —Frank K. Edmonds, Manager, Credit Bureau of Johnson City, Johnson City, Tennessee.

* * *

It seems to me something new has been added during the past several years through the rapid growth of revolving credit. Revolving credit has received such customer acceptance and created not only greater sales potential, but increased income from credit service charges, that most stores have entered into some form of it in order to satisfy the requirements of a large segment of the buying public. Along with the advantages, revolving credit has brought with it some disadvantages; namely, longer terms without regard for the life of the article, pyramiding of accounts, and a measure of lost credit control. It seems obvious, however, that the advantages outweigh the disadvantages; but the astute credit manager must use every resource at his command to control and keep at a minimum the disadvantages through constant watching for weaknesses in the plan, and stopping those leaks which might increase bad debts, reduce collections and create a condition where the disadvantages would be greater than the advantages. This is not an easy job, but neither is it impossible.—J. F. Eichelberger, Executive Controller, The Hecht Company, Baltimore, Maryland.

* * *

The vigorous credit competition for sales, already in evidence, will encourage loose credit practices and create customer overloads. Good credit managers will have to scrutinize carefully all proposals to lower standards to gain sales so they may liberalize safely, where possible, or offer sound reasons for opposing, when necessary. Knowledge of customers' total credit commitments and closer collection control will be of more importance than in the recent past.—J. C. Gilliland, Vice President, Pullman Trust & Savings Bank, Chicago, Illinois.

* * *

One of the most important objectives for 1956, but not necessarily the most important problem, should be closer cooperation between credit granters and credit bureaus. Customers' pay habits must be more conscientiously recorded in Credit Bureau files in this record-breaking period of outstanding consumer credit. It is increasingly important to know the extent of instalment and open-account indebtedness. There is no better control in the determination of how much credit may be safely carried and how well it is repaid by the consumer than through this cooperative method of pooling information. As a problem or objective, any accomplishments in this field during 1956 would be beneficial and worth while to the credit picture.—Gordon Gray, Manager, The Cleveland Retail Credit Men's Company, Cleveland, Ohio.

* * *

The most important problem confronting the retail credit profession for 1956 is to see that slow-paying accounts and other derogatory information are available in the files of their local credit bureau, as the trend is to speed up the handling of credit applications. It is necessary that the credit granter recognize the value of reporting this information promptly. This entails a program that will work automatically. Some credit associations, recognizing this important problem, have reorganized their membership service rates so that those members who do contribute information on delinquency automatically receive a lower rate for reporting service. This seems to be the answer to promote this type of cooperation between credit granters and their local credit bureau. Another important credit problem that is emphasized these days is faster return of credit clearances. If credit granters will recognize the importance of clearing information requested by their local bureau, they will greatly aid in speeding up credit reporting service. The slowing up of time in receiving check-to-date information has been a major complaint of credit granters the past year. The fault, to a great extent, is in their offices. If they will set up a policy that will ensure immediate return of information, this problem can be solved.—Walter A. Jensen, Executive Secretary, Associated Credit Bureaus of the Pacific Northwest, Portland, Oregon.

* * *

In this period of intense competition for sales, with credit being promoted and used to a greater extent than at any time in the past, it is more important than ever before to carefully control the quality of the accounts placed on our books. Each applicant's circumstances should be carefully considered, and credit willingly granted to those who are buying within their financial capacity and withheld from those who would extend themselves beyond their ability to pay. If properly used, retail credit can continue to expand and contribute to a higher standard of living, with benefit to the buyer, to the seller, and to the over-all economy of the country. It is the responsibility of credit executives to see that the credit privilege is not misused and that sound standards are maintained.—I. E. Joseph, General Credit Manager, Sears, Roebuck and Company, Chicago, Illinois.

* * *

For 1956 we are looking for greater credit sales along with the hope that collections will remain steady. Both were good in 1955.—W. J. Kerr, Credit Manager, Woodward Stores Limited, Vancouver, British Columbia, Canada.

* * *

During this past year the expansion of instalment credit has been somewhat amplified by the extension of liberal terms and less than minimum down-payment requirements. At this particular time, there is definite evidence of a tightening-up attitude on the part of many companies. As we see it, this will be reflected in the year ahead and will call for a very prudent and unbiased credit policy in order to curtail credit where not justified. The trend, therefore, implies better and closer analysis of each individual case. It is significant, too, to consider more seriously than in many years the instalment load that each user of instalment credit carries at the time further extension is considered.—J. F. Krebs, Vice President, Bank of St. Louis, St. Louis, Missouri.

* * *

Our financial authorities have expressed concern over the growth in consumer credit. Losses on consumer debt have been extremely small and it is still at a low percentage of consumer income. The fact remains that consumer debt is rising at a faster rate than the rise in income. The credit man's job this year will require continued promotion of liberal credit terms but he should exercise great selectivity and should develop an aggressive collection policy as well. Above all, he should be an active sales promoter through the creation of friends and customers for his store.—Frank M. Mayfield, Chairman of the Board, Scruggs-Vandervoort-Barney, Inc., St. Louis, Missouri.

* * *

The big problem for credit men for 1956 will be to keep a close check on all long-term selling, such as contracts, instalments, revolving credits, etc. Most of us have taken on this form of selling, and the customers are responding, but we know there is a certain percentage of customers that will eventually overbuy. This method makes it easy for this to happen. It will be up

to each credit man to do his best to watch all of these accounts carefully and see that the customers are not overextending themselves.—Otto W. Monnig, President, Monnig Dry Goods Company, Fort Worth, Texas.

★ ★ ★

A significant milestone in history was passed when National Retail Credit Week was established by the National Retail Credit Association throughout our nation in 1955. This important step was pioneered by progressive Texas retail credit executives recognizing that this—credit education of the consumer—is the most important credit problem confronting us today. Public-spirited individuals, in good faith, have intimated the need for caution in credit extension during this very important period of our economic history. Recommendations have been made to place retail credit under reasonable restraint to give our production capacity a chance to catch up. This type of misguided, civic-minded slowing down of retail business can be quickly dispelled by a fifty-two-week credit education program, conducted by local credit associations, pay-prompt promotions and continued credit education in retail advertising. Retail credit is the most powerful medium yet devised to increase our living standards and has proved its worth to business. Our problem today is to educate the consumer in the intelligent use of this medium to expand this economic productive era and prevent any restrictions or any suggestion of restrictions that might take the good credit customer out of the market and leave only the marginal risks.—W. O. Perlick, Credit Manager, Texas Bank & Trust Company, Dallas, Texas.

★ ★ ★

Tightening of money supply is a real problem right now for all instalment retailers. For furniture retailers that means tightening of bank credit because a majority of furniture dealers finance on the basis of a sort of open line of credit rather than through the sale of accounts receivable, item by item. Nevertheless, in spite of the tightening, I do not believe the government should be condemned or criticized too severely for taking steps to that end. Nobody wants runaway inflation. Federal Reserve System Governor Vardaman, in a speech last fall down in Georgia, hinted that plans were under way to ask Congress for additional powers, so as to control or regulate rapidly expanding consumer credit, for the good of consumers. Our economy does not need regulation of consumer instalment credit, for any type of credit, but more especially not for home goods. While some forms of instalment credit were expanding rapidly in 1955, reaching new all-time highs, outstandings of furniture stores have been increasing, but at a lesser rate than sales of home goods. They did not even reach the previous all-time high of two years ago, back in 1953. Home goods items are bought by millions of families pretty much on the same basis as are other items—not on the spur of the moment, but more on the basis of necessity rather than because they want to keep up with the Joneses. They need bedding, they need beds, they need kitchen equipment in good working order. Certainly, they need something to eat, as well as sleep on. They buy these on a continuing series of instalment agreements or add-ons to currently running instalment accounts. For a long period of time the instalment account for home goods, in the average family, is like a charge account at a grocery, clothing or department store. It does not need federal regulation to hold it down. Families do not violently overobligate themselves for home goods items. Neither do they throw out furniture, bedding, or wash machines or refrigerators twelve to fifteen months after purchase merely because new items have come along, with new gadgets added.—Roscoe R. Rau, Executive Vice President-Secretary, National Retail Furniture Association, Chicago, Illinois.

★ ★ ★

From all I can gather, in this section of the country the consensus is that the economic outlook for 1956 is very bright—especially so for the first six months. Inventory accumulation has not proceeded too rapidly and is seemingly under good control. The series of increases in the rediscount rate of the Federal Reserve Banks will certainly tend to curtail credit expansion and other manipulations in the money market will be resorted to in order to forestall any serious inflation. Opinions also indicate that consumer spending will remain strong in 1956 because of the high and rising level of consumer income, and the probability of more spendable income being released due to the probability of a personal income tax reduction next year. The consensus points to a change in the character of consumer spending with probably greater emphasis on nondurable as opposed to durable goods, which indicates greater department-store sales. This would indicate a shift toward charge account and nonsecured sales as opposed to secured instalment credit. This shift should be a challenge to retail credit managers to remain consistently alert in the granting of credit to be sure that the quality of their accounts is maintained. Credit granters, just as all other executives in the business world, must be consistently alert to changing conditions and be ready to revise their techniques as the economy changes, as new products are developed and new processes are devised. New lending techniques will emerge as evidenced by the recent furor created by revolving accounts. This is a real challenge to credit managers and presents opportunities for service to the public, profits to their organizations, and more rewarding futures for themselves.—John W. Stovall, Vice President, Republic National Bank of Dallas, Dallas, Texas.

★ ★ ★

I believe that 1956 will hold the three challenging problems that have been with us for some time. These are: 1. The continuing need to increase volume through credit sales. 2. The need to find cheaper and better ways to operate the credit department in order to reduce expense. 3. The always present levelheadedness necessary to determine what is a good account; good screening to cull out the undesirables; constant good collection follow-up to see that good accounts do not develop bad paying habits. I do not approach 1956 with apprehension creditwise. Even with the high (and getting higher) consumer debt, I believe that, with the increasingly high level of economy that we have, we do not have a great worry. I believe that 1956 will be a year of good business. I believe that the astute credit people of our nation, who have thus far done a good job, will continue to do so. I am sure that in 1956 the National Retail Credit Association will continue to fill an ever-increasing role in advising the governmental bodies on credit policies on a national scale; promoting credit goodwill through your association; giving good advice to the individuals requesting it; and the many other good functions that you fulfill every day.—D. L. Valentine, Treasurer, Kerr's, Inc., Oklahoma City, Oklahoma.

★ ★ ★

For us, there are several existing factors which must be considered and in appraising the year ahead we should be guided by past experience and at the same time alert ourselves to existing risks. Denver's metropolitan area is growing fast—statistics show that 2,600 new people are coming here each month. This, of course, is a challenge to aggressive salesmen and credit managers, alike, as fresh opportunities for increased business present themselves. Even so, special attention must be given to the credit standing of these newcomers. With this growth have come many large businesses—bringing sharper competition to the smaller stores, as well as to the self-employed—all of which is reflected in the slowing down of collections from the latter group. All of us realize that our farmers and ranchers are struggling to get sufficient returns from their labors. In our state we have gone through two bad years of drought, which has brought about a critical situation, with smaller yields and a relative decline in prices and income. The effect of this has been far reaching and has had its toll on new business as well as on the collection of old accounts. As we all know, there is a growing tendency among retailers everywhere to advertise and accept term sales over a long period of time—three to five years is not uncommon. I have no quarrel with the merchant who wants to do business on this basis—I hope he can afford it—but the alarming factor in this type of business is that these same customers are being encouraged to live far beyond their means, obligating themselves to a total of monthly payments far in excess of their income. Obviously, this is not good business. It presents an unhealthy and dangerous situation to the buyer as well as the merchant. Already the alarm has been sounded. Every one of us should take heed—all in accord with the splendid article appearing in the December 2 edition of *U. S. News and World Report.* So, as we enter 1956, let us first make sure that the credit record of Mr. Customer is a satisfactory one, then, if necessary, sell him on a contract over the shortest possible period of time. It can be done. Everyone involved will be better off and our economy will be more stable; as ever, the follow-up will continue to be of greatest importance, whereby we maintain constant vigilance in the collection of all accounts.—Russell B. Wells, President, The Chas. E. Wells Music Company, Denver, Colorado.

(To be continued next month.)

The Credit Machine

In the words of Daniel Webster, "an x-ray machine produces a true photograph of conditions in a body." There are 1,800 credit bureaus in the Associated Credit Bureaus of America, which means there are just that many credit x-ray machines available to Doctor Credit Manager.

The ultimate aim of every credit department is to increase business through the proper use of credit. Before credit is extended there must be some sort of screening of the credit applicants to enable the credit granter to decide whether to sell him, and to help set credit limits if he does sell him. The credit bureau is a news-gathering agency, but it goes about gathering its material from sources deemed reliable. It refuses to embody a piece of information into a report unless that information has been verified. It is from this type of material that the credit manager can obtain the following types of x-ray pictures, showing him just how his customer or patient is getting along in the credit community.

First, when calling the bureau for a file report, the clerk reads you the file information on your prospective customer, regarding his ability to pay, past business connection, current obligations, employment verification, etc. All such facts have been checked within the past year. This film is free of obstructions, which means that you can wisely increase credit limits of such a customer.

Second, the picture can change, there may be some entanglements, irregular lines, confused spots, indicating trouble more or less of a chronic nature. There might be abnormal credit buying, irregularity of payments, accounts placed for collection and some accounts charged to profit and loss. Counseling with your customer and suggesting a program whereby he can liquidate some of the accounts, may take him out of the marginal risk line and put him back in the dependable group again.

Third, many definite deep shadows, hideous large masses, complicated and jumbled lines may appear on this copy which indicates such derogatory facts as poor personal habits, lawsuits, constant change of employment and address, family trouble, overbuying and slow pay. You as the physician can readily see that your customer is suffering from a severe case of "Credit-itis" and is not a desirable credit risk for your firm.

Merchants are all keenly alive to the value of sound credit sales, and are making every effort to extend credit transactions on a safe, sane, and sound basis. The credit bureau stands ready with its equipment to function as your x-ray machine and help you as credit granter to safeguard your accounts receivable, thus building sales volume with safety.—Lilah Comfort, Credit Bureau of Jackson, Jackson, Mississippi. ★★★

CREDIT FLASHES

Mike Kearney in New Position

M. K. Kearney has joined the firm of Goldstein-Migel, Waco, Texas, as Credit Manager. He was formerly associated with Robert I. Cohn, Schreiber-Miller Furniture Company, Galveston, Texas, and most recently was Secretary of the Galveston City Waterworks. He is a director-at-large of the Retail Credit Executives of Texas.

Annual Banquet at New Orleans

Alex E. Maier, Jr., New Orleans Public Service Company, New Orleans, Louisiana, was installed as President of the Retail Credit Association at the 32nd annual inaugural banquet and ball held in the Grand Ball Room, Roosevelt Hotel, December 3, 1955. Other officers installed were: First Vice President, Thomas C. Fischer, Progressive Bank and Trust Co.; Second Vice President, Stanley C. Schulkens, Labiche's, Inc.; Secretary, John T. Bealle, Sears, Roebuck and Co.; Treasurer, Stanley E. Vandrell, Kreeger Store; and Advisory Counselor, Charles D. Bornwasser, Roosevelt Hotel. Directors installed were: John A. Brewer, Sears, Roebuck and Co.; Francis J. Broussard, Labiche's, Inc.; Harris Copenhaver, New Orleans Retailers' Credit Bureau; Cecil C. Ellish, D. H. Holmes Co.; Ola Fayard, Maison Blanche Co.; Walter Sarrat, Maison Blanche Co.; Gerard R. Shannon, Rubenstein Brothers; and Harold W. Stacy, Progressive Bank and Trust Co. Armand J. Rodehorst, Sr., presided as Master of Ceremonies with the invocation delivered by Calvin H. Weiser and a message from the National Retail Credit Association by Kaa F. Blue, President. The banquet in its New Orleans style with the ballroom entertainment was a gala affair. The New Orleans Association, with a steadily growing membership, has many plans for the coming year. An educational program, together with additional features to stimulate member interest, is in the making.

Below is a picture taken at the banquet. Seated, left to right, are: Charles D. Bornwasser; Alex E. Maier, Jr.; and Thomas C. Fischer. Standing, left to right, are: Stanley E. Vandrell; Stanley C. Schulkens; and John Bealle.

Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick, Nova Scotia, and Prince Edward Island, Canada) will hold its annual meeting at the Sheraton-Kimball Hotel, Springfield, Massachusetts, May 6, 7, and 8, 1956.

District Two (New York and New Jersey) and **District Twelve** (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia) will hold a joint annual meeting at the Hotel Roosevelt, Pittsburgh, Pennsylvania, February 12, 13, and 14, 1956.

District Three (Florida, Georgia, North Carolina and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi, and Tennessee) will hold a joint annual meeting at the Battery Park and George Vanderbilt Hotels, Asheville, North Carolina, April 15, 16, 17, and 18, 1956.

District Five (Kentucky, Michigan, Ohio, Ontario, Canada, Illinois, Indiana and Wisconsin, except Superior) will hold its annual meeting at the Commodore Perry Hotel, Toledo, Ohio, February 12, 13, and 14, 1956.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Manitoba, Canada) will hold its annual meeting at the Hotel Savery, Des Moines, Iowa, March 11, 12, and 13, 1956.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Allis Hotel, Wichita, Kansas, April 7, 8, and 9, 1956.

District Eight (Texas) will hold its annual meeting at the Stephen F. Austin Hotel, Austin, Texas, May 20, 21, and 22, 1956.

District Nine (Colorado, New Mexico, Utah, and Wyoming) will hold its annual meeting at the Broadmoor Hotel, Colorado Springs, Colorado, February 19, 20, and 21, 1956.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting at the Olympic Hotel, Seattle, Washington, May 19, 20, 21, and 22, 1956.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting at the Hacienda Motel, Fresno, California, February 19, 20, 21, and 22, 1956.

Position Wanted

Credit Manager. Age 45, 20 years' experience in retail and wholesale credits and collections, sales and accounting. Will consider Middle West, but prefer Pacific Northwest. Must be top flight concern. Box 1561, The Credit World.

1955-1956 Membership Prizes

PRIZES of $100.00 each are to be awarded to the following chairmen reporting the largest number of new members:

Local Chairman—100 members minimum.
State Chairman—200 members minimum.
District Chairman—500 members minimum.

Only one chairman in each group is to receive an award and it will be based on the greatest number of members reported. In addition, the first credit bureau manager reporting 100 per cent National affiliation (all members), provided the minimum is 100 members, will receive $100.00 in cash.

Pen and pencil sets will be awarded to:

1—The credit manager for outstanding membership work.

2—The bureau manager for outstanding membership work.

Bronze membership plaques, mounted on solid walnut, properly inscribed, will be given to Credit Association, as outlined below, organized between June 1, 1955, and May 25, 1956, as follows:

1—First National unit of more than 25 members organized during the fiscal year.

2—Unit making the greatest membership gain.

3—Local Associations in cities up to 50,000 population organizing a National unit of 25 or more members or reporting 25 new members.

4—Local Associations in cities up to 100,000 population organizing a National unit of 50 or more members.

5—Local Associations in cities of 100,000 to 250,000 population organizing a National unit of 75 or more members.

6—Local Associations in cities of over 250,000 population organizing a National unit of 100 or more members.

Activities in Galveston, Texas

On October 18, 1955, the Retail Credit Executives of Galveston, Galveston, Texas, in a joint meeting with the Credit Women's Breakfast Club of Galveston held their annual Bosses Night at the Charcoal Galley in the Jack Tar Hotel. Mrs. Ollie Ward of Port Arthur installed the new officers of the Credit Women's Breakfast Club. A film entitled "People, Products and Progress 1975" was shown, which was produced by the United States Chamber of Commerce. This affair was attended by over 100 credit executives and their bosses.

Mr. and Mrs. Edward Schreiber recently spent a week in Nassau, expense free, since he was awarded the trip by the General Electric Supply Company. He was awarded the trip due to his outstanding performance in the sale of General Electric products by the Schreiber and Miller Furniture Company.

A Credit School was held in Galveston during the month of October with over 50 enrolled. Heinz Ulrich of the University of Texas was the instructor.

The Credit Bureau of Galveston, Retail Merchants Association, held an ACBofA Seminar on November 20, 1955, for employees. Attending from other cities were employees of the credit bureaus of Pasadena, Freeport, Alvin, Texas City and La Porte.

Mrs. Bess MacDonald is the new credit manager at Swartz Department Store.

Al Lopez has joined the Schreiber and Miller Furniture Company as credit manager.

Dessie Thomas, Bankers Savings and Loan Association, went to Hawaii on her vacation last summer.

Annual Meeting at Lufkin, Texas

At the annual meeting of the Credit Granters Association of Angelina County, Lufkin, Texas, the following officers and directors were elected: President, Mrs. Alpha Henrich, Boesch Farm Products Company; Vice President, Mrs. Mozelle Card, B. F. Goodrich Store; and Secretary-Treasurer, Mrs. Hazel Rutland, Credit Bureau of Lufkin. Directors: Lucille Parise, Elbert Clark, H. K. Carson, H. C. Rich, and A. L. Ellzey. At the same meeting, the film, "The Good Things of Life on Credit," produced by the National Retail Credit Association, was shown and thoroughly enjoyed by everyone in attendance. Comments included: "This film should be shown in every theatre in town," "Very good, enjoyed it very much," "Wish some of our customers could see this film," and "Thanks for the opportunity to have seen it."

Sam F. Dugger

Sam F. Dugger, 64, died October 8, 1955, of a heart attack at his home in Fort Worth, Texas. He was Credit Manager of Fakes and Company, Fort Worth, a position he had held since April 1, 1947. He had also held positions at Phoenix Furniture Company, W. C. Stripling Company, Meacham's, and Jackson's Ready-to-Wear Store. He helped organize the Fort Worth Retail Credit Managers and served as president in 1921 and in 1934. He also served as a director of that organization and of the Retail Merchants Association.

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

IT HAS BEEN stated by a reliable authority that business failures occur in the United States at the rate of one every fifteen minutes. Four principal reasons are given for this alarming death rate. They are: 1. Poor communications; 2. Lack of adaptability; 3. A know-it-all attitude; 4. Lack of inspiration.

True, these refer to business generally and not specifically to the credit department. Also, certainly there are other, and perhaps more significant, causes for business failure. But it would not be amiss at this, the beginning of a new year, to relate these alleged shortcomings to the credit department for our own self-improvement.

It must be admitted that from many stores, otherwise completely up-to-date, come letters and communications that reflect letter-writing styles of 1896 rather than of 1956. Every business letter should be a *sales* letter, but is it always? Every business letter should worthily represent the ideals of the firm, but does it always? Collection letters should *sell* while they collect, but do they?

Communications have in the past been the neglected stepchildren of management techniques. Now, they are being recognized as of vital importance. We must all learn the art of writing more effective letters—letters that are as modern as our merchandise and displays. Fortunately, the art can be acquired.

Credit and collection correspondents particularly, because they deal with matters of utmost sensitivity, should develop skill in saying the right thing at the right time and in the right way. People can so easily be wounded . . . and the wounds heal very slowly.

Communications are rapidly becoming professionalized. It is no condemnation of the credit executive to say that many of his forms and letters could be greatly improved. It is no reflection on his ability to suggest that he seek assistance in this important part of his work. The manager of credit sales is fully occupied with the myriad responsibilities that go with his job. The hours and minutes of each day slip by, just keeping up with the never-ceasing flow of work across his desk. He has scant time for the concentrated thought essential for good business letters.

Letter-writing services and consultants abound. It is a good investment to use what is so readily available. We use professional auditors, publicity consultants, etc., so why not seek letter-writing advice?

Here is a suggestion. Appoint a "Letter Audit Committee" within your own firm. This Committee could consist of the publicity director, sales manager, and general manager, or those whose duties correspond to those titles. Perhaps, too, a representative of the firm's clientele could be invited to present the customer's viewpoint. This Committee should review all the forms and letters used by the credit department. The advantage of such a Committee is that a divergence of viewpoints plus a constructively constructive approach are assured. The recommendations of such a Committee would strengthen the hands of the credit executive in obtaining approval for professional service.

The retail credit executive who is big enough to encourage this "audit" will not only be given immense assistance in producing better letters; he will also be demonstrating that he is overcoming the second fault named, which is lack of adaptability. Certainly, he will not be accused of the third fault, the know-it-all attitude. And, he will profit by enriching his own inspiration, thus taking care of the fourth fault.

Our letter illustrations this month were selected from recent issues of N.R.C.A.'s *Effective Credit and Collection Letters Service*. They are representative of those sent to subscribers every month.

This Month's Illustrations →

Illustration No. 1. This is a collection letter for monthly charge accounts to be used after printed reminders or stickers have been sent. This letter would be appropriate for the reliable customer who has a record of prompt payment and whose present past-dueness is obviously caused by unforeseen circumstances. A suggestion that the balance be transferred to an extended payment type of account would probably be welcomed by the debtor.

Illustration No. 2. A collection letter for installment accounts after two printed notices or stickers. This letter utilizes two effective appeals: first, the appeal to fairness; and second, to the sense of honesty.

Illustration No. 3. This is a credit sales promotion letter to approved prospects. The name of the customer should, of course, be added to the authorization index so rapid approval might be given to credit purchases.

Illustration No. 4. After the Christmas rush, it often happens that there are several saleschecks for which no accounts can be found. This situation is usually brought about by a recent change of address or by a mistake on the part of a customer thinking that she has an account in the store.

Members are cordially invited to write to the National Office for details of the *Effective Credit and Collection Letters Service.*

WE AGAIN appeal to our members to send copies of the forms and letters used in credit and collection work for possible publication in this department. In any event, these letters and forms become part of our widely used Letters Scrapbooks. Your cooperation will be greatly appreciated.

COLLECTION LETTER - MONTHLY CHARGE ACCOUNT - AFTER THREE REMINDERS.

1

Date

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

One of the most meaningful words in the language is "service." It is a little unfortunate that it has become so commonly used that its deeper significance is not always recognized.

To us here in the Credit Department it means the "will to be helpful.". And that is what we keep before us when trying to find solutions to the problems of our customers.

It would seem to us that you might now be facing a financial problem. At least, our polite reminders about your account have gone unheeded. The amount you owe is $00.00.

May we suggest that you avail yourself of our facilities in finding a mutually satisfactory solution? You are invited to come in during the next few days and talk matters over.

Cordially yours,

MANAGER OF CREDIT SALES

COLLECTION LETTER - INSTALMENT ACCOUNTS - AFTER TWO PRINTED NOTICES

2

Date

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer

Your payment on your Budget Plan Account with us has not been received.

You have been reminded twice in the most courteous manner about the missing payment. Surely you will agree that our attitude has been one of friendly and willing cooperation.

Our experience tells us that the vast majority of customers want to pay their bills as they agreed to in the contract. We think that you are included in that number.

You can prove it...by bringing in your payment of $00.00.

Cordially yours,

MANAGER OF CREDIT SALES

CREDIT SALES PROMOTION LETTER - APPROVED PROSPECTS FOR CHARGE ACCOUNTS.

3

Date

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

Only two magic words are required to bring to you all the helpfulness and convenience of a charge account at this store.

"Charge It!"

Yes, that is all you have to say when next you are shopping here. Instantly, your purchases will be approved and your charge account fully established.

And we do hope you will be in soon. You will find our stocks of new merchandise exciting and appealing. Our salespeople are eager to give you their most thoughtful and complete service.

Just say the magic words!

Cordially yours,

MANAGER OF CREDIT SALES

ADJUSTMENT LETTER - PURCHASE FOR WHICH NO ACCOUNT CAN BE FOUND.

4

Date

Mrs. John C. Customer
000 Main Street
Your City, Your State

Dear Mrs. Customer:

This is just a note to thank you for your recent charge purchase in our store as shown on the statement enclosed...and to ask your help.

It seems that our bookkeepers cannot find a charge account in the exact name and address as given on the sales check. Perhaps it is made out incorrectly, or for some reason our records are not up to date.

You undoubtedly can tell us what should be done to set matters right. Simply jot the details on the reverse of this letter and mail in the envelope enclosed. Or, if you prefer, please phone us.

And, certainly, if you do not have an account with us, we would most cordially welcome the opportunity of opening one. A convenient application for that purpose is enclosed.

Many thanks for your helpfulness.

Cordially yours,

MANAGER OF CREDIT SALES

comparative COLLECTION PERCENTAGES

November 1955 vs. November 1954

District	N.R.C.A. DISTRICT and CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
		1955			1954			1955			1954			1955			1954			1955			1954		
		AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
	Boston, Mass.	44.8	52.2	37.3	42.5	52.3	30.2	16.6	31.5	6.4	17.5	35.0	7.8	—	—	—	—	—	—	—	—	—	—	—	—
	Portland, Me.*	56.4	59.4	53.4	54.5	55.3	53.7	15.3	17.1	13.6	14.8	16.0	13.6	—	—	—	—	—	—	—	—	—	—	—	—
1	Providence, R. I.	51.4	53.6	45.6	51.3	54.2	48.8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Springfield, Mass.	62.8	64.0	61.7	64.5	66.9	62.2	23.4	24.1	22.7	28.4	28.7	28.2	—	67.7	—	—	69.0	—	—	53.6	—	50.1	—	—
	Worcester, Mass.	56.2	61.4	51.1	48.8	50.0	47.6	28.3	36.2	203	29.1	35.0	23.2	56.3	57.0	55.7	50.9	57.8	54.0	—	—	—	—	—	—
2	New York, N. Y.	42.4	52.5	35.5	44.8	54.8	34.4	13.8	20.5	10.3	14.6	23.2	10.8	48.1	59.8	41.6	50.0	60.2	42.2	49.8	51.6	47.9	50.0	51.5	48.5
3	Birmingham, Ala.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Cincinnati, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Cleveland, Ohio	50.3	61.7	34.2	51.3	59.6	44.3	16.6	21.3	10.9	19.1	25.0	11.9	48.4	53.8	41.6	52.1	59.4	45.1	67.9	87.6	50.7	72.5	94.8	50.2
	Louisville, Ky.	47.1	54.9	34.7	49.3	54.5	43.4	17.6	18.6	16.1	18.2	21.3	15.8	48.8	50.2	45.9	41.4	46.9	36.0	46.4	50.9	40.9	46.2	49.1	41.4
5	Milwaukee, Wis.	60.7	62.5	52.0	59.8	61.3	51.3	14.9	16.6	14.1	15.2	16.1	14.4	52.0	57.1	46.9	55.4	62.2	48.6	57.4	69.1	45.6	53.0	63.0	43.0
	Toledo, Ohio	—	—	—	—	39.0	—	—	—	—	—	13.9	—	—	—	—	—	—	—	—	—	—	—	75.0	—
	Youngstown, Ohio •	—	39.2	—	—	39.0	—	—	14.7	—	—	13.9	—	—	—	—	—	—	—	—	25.6	—	—	—	—
	Ottawa, Ont.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Minneapolis, Minn.	574	662	491	54.2	63.9	48.2	12.5	14.6	11.0	14.3	17.0	12.5	—	554	—	483	571	369	443	467	42.8	469	511	413
7	Kansas City, Mo.	—	—	—	49.4	61.2	46.2	—	—	—	13.2	15.7	6.1	—	—	—	61.0	64.7	48.1	—	—	—	—	—	—
	St. Louis, Mo.	56.8	59.3	54.8	58.9	60.5	57.9	21.1	22.3	18.3	21.4	22.7	19.8	45.2	50.4	36.0	47.6	55.8	42.2	46.3	49.1	47.2	48.6	54.0	45.4
	Dallas, Texas	—	—	—	54.2	63.1	39.0	—	—	—	12.0	14.5	9.5	—	—	—	50.1	58.8	42.7	—	—	—	52.9	59.2	45.6
8	Ft. Worth, Texas	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Houston, Texas	—	—	—	—	45.0	—	—	—	—	—	—	—	—	—	—	51.2	56.0	46.3	—	—	—	46.5	46.2	46.3
9	Denver, Colo.	49.3	54.7	46.4	51.8	54.9	43.9	18.1	37.1	16.0	16.3	30.7	15.1	48.5	49.3	47.7	54.4	54.9	43.9	48.5	49.3	47.7	54.4	54.9	45.9
	Salt Lake City, Utah	58.3	64.5	51.0	62.3	65.9	58.2	18.8	23.3	15.3	20.1	25.1	15.3	—	—	—	—	—	—	—	55.2	—	53.1	53.2	53.0
10	Spokane, Wash.	—	62.5	—	—	55.3	—	—	13.2	—	—	13.5	—	—	56.4	—	—	—	—	—	—	—	—	54.6	—
	Los Angeles, Calif.	58.2	61.5	45.9	56.0	63.5	49.8	—	—	—	—	—	—	—	—	—	—	—	—	57.9	65.7	46.9	51.8	80.9	45.0
	Oakland, Calif.	62.4	64.5	58.8	64.5	66.7	56.3	15.5	19.8	15.3	16.3	19.9	15.9	—	68.4	—	54.6	57.8	51.4	—	49.3	—	—	51.3	—
11	Santa Barbara, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	San Francisco, Calif.	—	—	—	56.7	67.5	53.3	—	—	—	16.6	18.1	13.9	—	—	—	46.4	50.2	45.1	—	—	—	46.7	53.2	42.1
	San Jose, Calif.	59.7	68.3	58.2	59.5	69.8	53.4	15.9	16.4	15.4	19.6	22.1	17.2	—	59.7	—	59.9	63.0	55.9	—	—	—	—	—	—
	Baltimore, Md.	51.6	55.6	43.3	49.5	50.4	42.2	18.1	28.5	12.6	18.1	30.5	13.6	41.7	54.7	35.1	43.7	58.2	35.9	43.9	51.2	36.6	44.6	53.5	35.7
12	Philadelphia, Pa.	—	—	—	41.8	48.4	36.1	—	—	—	9.9	11.4	9.0	—	—	—	44.6	49.2	36.4	—	—	—	—	—	—
	Washington, D. C.	—	—	—	48.5	54.9	45.0	—	—	—	16.1	20.6	13.3	—	—	—	—	—	—	—	—	—	—	—	AHH 1-56

• Figures for September. *Includes 30—60—90-day accounts.

Consumer Credit for October

CONSUMER INSTALMENT credit outstanding increased 264 million dollars during October, less than in other recent months, bringing the total to an estimated 26,963 million at the month end. Increases of 17 million and 185 million occurred in October of 1954 and 1953, respectively. Automobile paper increased 166 million dollars to 14,095 million at the end of the month. Small increases occurred in each of the other components of the instalment total. Instalment credit extended during October amounted to an estimated 3,051 million dollars, 190 million below the preceding month's volume. Most of the decline was accounted for by a reduction in automobile credit extended. Repayments increased slightly from September to October. Total short- and intermediate-term consumer credit outstanding amounted to an estimated 34,640 million dollars at the end of October, 347 million above a month ago and 5,665 million above a year earlier.—Federal Reserve Board.

Department Store Credit for October

INSTALMENT ACCOUNTS outstanding at department stores continued to increase during October, when some rise is customary. Balances outstanding at the end of the month were 3 per cent above September and 18 per cent above a year ago. Instalment collections amounted to an estimated 15 per cent of first-of-month receivables, the same as a month earlier and 1 point above a year ago. Charge accounts, increasing 8 per cent from September to October, showed somewhat more than the usual seasonal rise for this time of year. The increase brought month-end balances 10 per cent above a year earlier. The charge-account collection ratio, estimated at 47 per cent, 2 points above September and the same as October of last year. Sales of all types showed further increases from September to October, and continued above a year ago. Compared with October of last year, cash sales were up 6 per cent, charge-account sales 7 per cent, and instalment sales 14 per cent.—Federal Reserve Board.

Scott Award Committees

On page 30 of the December, 1955, issue of The Credit World we listed the Scott Award Committees for Districts 2, 8, 9, 10, and 12. Districts 1, 3, 4, 5, 6, 7, and 11, are as follows:

District One: Mrs. Ethel F. Higgins, Nutters, Westbrook, Maine; A. Everett Cameron, Ware Pratt Company, Worcester, Massachusetts; and Fred Hardy, Outlet Company, Providence, Rhode Island.

District Three: Ray W. Cline, Belks Department Store, Concord, North Carolina; Mrs. Laura DuPree, Mirror Shop, Atlanta, Georgia; W. G. Foster, Gulf Power Company, Pensacola, Florida; James L. Gibson, Edisto Farms, Columbia, South Carolina; and Frank G. Mewborn, Credit Bureau of Atlanta, Atlanta, Georgia.

District Four: Mrs. Jo Hubbard, Sterchi Brothers, Chattanooga, Tennessee, Chairman; Ola Fayard, Maison Blanche, New Orleans, Louisiana; C. H. Gibson, Ala Gas Corporation, Birmingham, Alabama; S. J. Nicely, Miller Brothers, Knoxville, Tennessee; and W. C. Durham, Kenningtons, Jackson, Mississippi.

District Five: John L. Schneeberger, The Borden Company, Chicago, Illinois; Clem L. Lehnen, American Furniture Stores, Milwaukee, Wisconsin; Arthur R. Peterman, *Cleveland Plain Dealer*, Cleveland, Ohio; Mrs. Jean W. Craig, W. A. Rankin, Ltd., Ottawa, Ontario, Canada; and Hattie Belknap, Carlisle-Allen, Ashtabula, Ohio.

District Six: Ray Benston, Iowa Public Service Company, Sioux City, Iowa; William Kaster, Newman's, Cedar Rapids, Iowa; John Lansing, Green Colonial Furniture Company, Des Moines, Iowa; Florence E. Ostenberg, Eyestone Realty Company, Aberdeen, South Dakota; and L. A. Tasker, Western Finance Company, Ltd., Winnipeg, Ontario, Canada.

District Seven: Don Bixler, First National Bank and Trust Company, Tulsa, Oklahoma; Forest Brunson, Emery-Bird-Thayer, Kansas City, Missouri; W. G. Marks, Kempner's, Little Rock, Arkansas; Jack Shields, Skelly Oil Company, Wichita, Kansas, Chairman; and Edna Short, King's Clothing Company, Fort Smith, Arkansas.

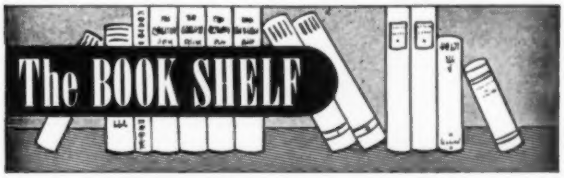
District Eleven: Ray C. Edwards, Smiths, Oakland, California; William H. Foreman, Grodins, Oakland, California; O. W. Frieberg, American Trust Company, San Francisco, California, Chairman; Martha Jones, Suburban Gas Service, Upland, California; and J. A. Koverman, Desmonds, Los Angeles, California.

T. L. Ford Now Justice of the Peace

Thomas L. Ford, Secretary-Manager, The Credit Bureau, Pittsburgh, Pennsylvania, was elected Justice of the Peace of Richland Township, Pennsylvania, taking office January 1, 1956, for a six-year term. Of the five candidates for the office Mr. Ford received the greatest number of votes.

Alabama Credit Women to Meet

The annual meeting of the Alabama Association of the Credit Women's Breakfast Clubs will be held at the McLester Hotel, Tuscaloosa, Alabama, February 18-19, 1956.



Credit Manual of Commercial Laws, 1956 Edition (National Association of Credit Men, 229 Fourth Avenue, New York 3, New York, 724 pages, $10.00). Emphasis in the 1956 *Credit Manual of Commercial Laws* is on the many legal changes adopted, statewise and federal. These are capsuled both in discussion by topic and in recapitulations by states. The 1956 *Manual* is the only published guide to the laws on credits and is written in the layman's language—digest of the new credit handling procedures in such fields as mechanic's liens, bulk sales, trust receipts, chattel mortgages, assignment of accounts receivable, statutes of limitation, bad checks, conditional sales, factor's liens, legal interest rates to corporations, retail instalment sales, the use tax, bonds on public improvements, usury legislation, and wage assignments. The *Manual* emphasizes in a Foreword that it is not a substitute for attorney services, nor is it a textbook.

The Program Encyclopedia (Association Press, 291 Broadway, New York 7, New York, 644 pages, $7.95). Here is a most valuable book for those responsible for arranging meetings of all kinds. Over 5,000 program ideas, themes, projects, interest getters and interest holders—plus a down-to-earth explanation of proved program methods that really work for hundreds of groups throughout the country. This book will be of great value to program chairmen of local retail credit associations. Written by Clement A. Duran, it represents years of research and practical experience in developing programs that cause members to applaud vigorously and want to come to the next meeting.

Standard Handbook for Accountants (McGraw-Hill Book Company, 327 West 41st Street, New York 36, New York, 1,056 pages, $15.00). A complete and authoritative reference manual of organization, procedures, and special pointers for all branches of the accounting profession is now available in this book by J. K. Lasser. The book has been written with the practical needs of accounts in mind; it provides information amounting to an encyclopedia of auditing, cost control, management, systems design, forecasting, operation of the accounting office, and other phases of business planning. In addition to Mr. Lasser there are 56 contributors to this book.

E. U. Baughman Reprints Available

Reprints of the article by E. U. Baughman, Chief, United States Secret Service, entitled "Caution *vs.* the Counterfeiter," which appeared in the November, 1955, Credit World, are now available. Prices are: 100—$2.00; 250—$4.00; 500—$7.00; 1,000—$12.50. Prices include postage. Order from the National Office, 375 Jackson Avenue, St. Louis 5, Missouri.

General

QUESTION

I would like to know if the members of the Panel think it desirable to discuss the credit limit with a new applicant and how best can this be done?

ANSWERS

Bert Bateman, Chandler & Company, Knoxville, Tennessee: We have not found it desirable to discuss or suggest a credit limit for a new applicant. In our type of business, supplier of building materials, we feel that an account credit limit is not feasible. We will dispense with the discussion pertaining to contractors, as this type of account falls into the category of wholesale credit, and will, therefore, deal entirely with the consumer. We have found it advantageous, at the interview, to ascertain the type of job the new applicant is involved in; whether new construction, modernization or remodeling, or just incidental paint-up or fix-up. Extension of credit in the category of new construction or remodeling and modernization, requires intensive investigation, etc., involving many factors, and we feel that this question is of no importance whatsoever. Before completion, jobs in this category may exceed the original estimate by several hundred dollars due to inefficient estimating; or the housewife may make several changes or variations from the original plan while the construction is in progress, which will necesssarily reflect a change in the cost. Therefore, a credit limit is not practicable. New applicants for incidental fix-up, repair, the popular "Do-It-Yourself" jobs around the residence or rental property, know their ability to pay before the obligation is assumed. Generally this type of applicant, in addition to being a home owner, owns his automobile and furniture. He realizes the value of his credit standing and will use the utmost precaution to protect it. Therefore, when practical, we prefer to let him set his own limit rather than to discuss it with him. Of course, this obviously places responsibility on the credit granter to determine for his own guidance what he thinks should be a limit based on the applicant's capacity, character, credit history, and other conditions.

C. W. Blackwood, Five-Fifty-Five, Inc., Little Rock, Arkansas: Under our present economic conditions and with the exceedingly large amount of retail credit outstanding I think it definitely advisable to discuss credit limits, particularly with new applicants. People in the income brackets above $12,000 generally are good for their requirements and I would not place retail credit limits on these accounts. Those with annual incomes from $12,000 down to $5,000 require some credit supervision and an occasional follow-up. It is well to regulate credit limits of $500 to $1,000 on such accounts. The debt burden is the heaviest on those with incomes of $5,000 to $3,000 and with these there should be a definite understanding as to monthly credit limits. Many of these currently owe 15 per cent to 20 per cent of their annual income and have this so spread in various open and installment accounts that it is not only wise but necessary to have an understanding as to the amount they can and will pay on new obligations.

Hilda Felice, Charles Taylor & Company, St. Catharines, Ontario, Canada: We do not have a credit limit. We feel it is difficult to ascertain what a new applicant's purchasing habits will be. We keep close check on our monthly charge accounts, and judge each account on its own merits. If we feel a customer's credit is getting high and he is rather slow paying, we ask to have the customer come to the office the next time he wishes to charge so we can discuss his account with him. A great number of our credit applications are for the purchase of new and used automobiles and major repair work. In most of these cases there is only the one item of credit to consider. Also, most of these contracts are sold to a finance company. As previously stated, we do not have a credit limit; therefore, I will not venture an answer to "how best can this be done."

Ernest Ferri, Yardville Concrete & Supply Company, Yardville, New Jersey: It has been our experience that when a new applicant is made aware of the credit limit placed on his account mutual benefits for both parties result. It can best be done by the interviewer using diplomacy to the utmost, especially when discussing the applicant's experience, financial background, and credit standing. We pose our questions in such a manner that in the end the applicant agrees to our policy in which his credit limit will be on a job-to-job basis, rather than on a monetary figure—the reason for this being the diversified conditions and projects a contractor encounters in our industry.

Audrey Harness, Little & Taylor, Victoria, B. C., Canada: Upon studying the complete credit application one places a credit limit in relation to the amount of credit and terms desired by the applicant to his ability to pay. I feel it is an important policy, when you accept a credit application, to discuss your firm's credit policy and the credit limit. In this way you help to educate the prospective customer to use credit privileges soundly and wisely for his own benefit as well as that of your firm.

A. B. Gillespie, Sweet Sixteen, Vancouver, B. C., Canada: Yes, I do, and in doing so, three things are accomplished at the same time. First, in discussing credit limits, the terms of the agreement are bound to come up, so an educational job of clearly explaining the Company's policy and terms will result in a better understanding of the account with the subsequent result of a better-paying customer in most cases. Second, a customer will generally tend to overbuy. In order to avoid this and to keep the account in an open-to-buy position, it is better for the store to set the credit limit. Third, when a credit limit is set and explained to the customer, there is less likelihood of embarrassment should the customer later request an "add-on" for a larger amount than the credit manager considers is warranted. In a situation of this kind, where the customer has already been made aware of a credit limit, it still leaves the door open for further discussion for a request of credit limit increase. Now, how it can best be done would depend to a great extent on the credit department facilities. Privacy is most desirable but often difficult if the store is small and all available space given over to selling space. It is also desirable that the credit limit be discussed by either the manager of credit sales or a competent credit interviewer.

John Lanning, Green Colonial Furnace Company, Des Moines, Iowa: A credit "limit" should not be discussed with a new applicant. Actually the term "limit" is as outdated as the bookkeeping stool and eyeshade. The evolution of consumer credit during the last two generations has completely changed the functions of the credit manager, and has placed far more responsibility on the credit customer. A credit manager no longer has complete control of a customer's credit buying, because with "easy credit" any customer can obligate himself for twice the amount he can pay for promptly before any of his creditors learn of this condition. So, the credit manager should accept the challenge offered him today, by being a counselor, adviser, and diplomat. He should help the applicant determine the amount and type of credit that can be handled properly. If this job is done right, the customer will not feel that any "limit" has been set but will almost always stay within his means. This is just one of the many ways the credit manager can further the much needed education of the consumer on proper use of "easy credit," which has become necessary to our present-day economy.

Mrs. Susan F. Patzer, Springfield Coal Company, Springfield, Massachusetts: We are in the fuel and equipment business and we have a good product, excellent service, and fair prices. We ask customers at time of opening the charge account if they have any limit they would like placed on the account. Usually they do and we try to reconcile it with their needs for the season and determine if it is reasonable according to our terms. If we feel that we do not care to extend the amount of credit asked, we explain the amount of limit we wish to place on the account, and show them how we arrive at the amount. We find it is much easier to discuss credit limits at time of opening an account than some months later when the account has overbought. At that time he may take the attitude that his account was not opened properly, which no doubt is true. We do not find it too difficult to discuss limits at time of opening the account and try to explain to the customer, if he does resent it, that it is better to learn his credit capacity with us at this time than sometime later when we may feel we must freeze the account. We usually follow up the opening of an account with a letter of thanks and state the terms in it. We feel that we have more satisfied customers by making an issue of credit limits at the time of opening an account, and do not find that many customers resent having a limit placed on their account.

Mrs. Una Pearson, Pearson's, Fort Smith, Arkansas: It would be up to the credit granter to determine whether a credit limit should be established, considering each new credit applicant individually. Should he be in the higher section of the middle class and with good paying habits he puts his own credit limit on his account. On the other hand, if he has less than moderate wages, to avoid misunderstanding by the customer, we make a clear statement as to the amount of credit as well as the date for payment.

Frank W. Price, Jean Hall, Seattle, Washington: The discussion of the credit limit with a new applicant can best be accomplished during the credit interview. In determining whether or not it is desirable to discuss the credit limit, one must be guided by the conditions and circumstances that surround the applicant, including character, personal habits, and type of work engaged in. The interviewer should be charged with the responsibility of not only opening the account on terms and conditions favorable to the store and its future collection, but also of establishing the terms and conditions under which it is to be used. If the credit applicant is well established in his community, holds a responsible position, or is well known and recognized to be financially able, it should not be necessary to place a limit on his account. On the other hand, the reverse would apply if the applicant is a newcomer to the community, without credit standing, and with limited income. During the interview, it would be advisable to discuss all phases of the account, particularly the amount of credit desired and the terms under which it would be paid. Credit limits should be in line with the customer's ability to pay and according to the understanding reached with the customer at the time the account was opened. Credit limits should be set high enough to provide for fast authorization. The much-publicized revolving charge account has educated the public to a large degree as to the exact credit limit obtainable in accordance with the customer's ability to pay each month. Excessive buying beyond the credit limit is usually evidenced by slow payment or partial payment. The use of properly controlled credit results in greater friendship and increased business.

V. E. Rasmussen, Evergreen Cemetery Company, Seattle, Washington: This question is not applicable to our particular type of business in what you would call the regular sense of the word. However, it would seem to me that a person applying for credit would expect to be questioned as to the amount of credit desired. On an open or similar type account a firm establishes a line of credit with a bank, with a borrow-

ing limit based on assets and ability to pay. Why should an individual be any different? At the opening interview, information should be obtained to establish a limit for the credit applicant, fitting his needs as well as possible. If the limit requested is not warranted by the information given, more information should be secured. This is a golden opportunity for educating the customer along credit lines so that his credit limit would be kept within his ability to pay. I would say that the credit limit should be discussed in almost all cases at the opening interview, determining the type of credit and amount to be extended. If this is done, I am sure it will pay off in an increase in your collection percentage.

Edith P. Williams, Harris and Williams Frozen Foods, Denver, Colorado: I believe it is wise to discuss the credit limit with a new applicant; it may save embarrassment and hard feelings later. However, I feel it is not necssary to talk in definite figures until the applicant's credit has been approved and his account has been opened. There are various ways of wording this, such as, "Mrs. Jones, our usual limit on new accounts is $75.00, but if you need more than that at any one time, please let us know." The amount of credit would depend on the type of business in question and the general credit policy. In the food business we often base the limit, not only on the income and paying habits of the individual, but also on the number in the family.

Dairy and Baking

QUESTION

What factors should be considered in setting a credit limit and how are credit limits determined?

ANSWERS

A. L. Haynes, Donaldson Baking Company, Louisville, Kentucky: In the retail door-to-door bakery business we have found it advisable to base our limits on the customer's pay date rather than a dollar limit because all customers except farmers get paid at least once every month and we cannot expect the customer to pay in between paydays. If we set a dollar limit we would lose a lot of good business because the housewife would reach the limit before payday. However, in some instances where the customer lives in a not-too-desirable neighborhood and we find, from the Credit Bureau, that she has a habit of paying slow, we advise our salesmen to hold purchases down to a minimum so she can meet the obligation every payday; but still we do not set a dollar limit. Our policy is to let the customer indicate her own pay date at the opening of the account, then we set her limit at one extended payday. For instance, if she says her husband gets paid on the 1st and 15th and she will pay us on the 2nd and 16th we will approve credit for two weeks and if she does not pay the first pay date we have a definite understanding that she will pay the following payday or service will be only on a cash basis. On monthly accounts, however, we extend credit for only two weeks. Therefore no account is approved for credit for a period beyond six weeks. By following these credit limits and checking closely with the credit bureau, we have been able to hold our losses fairly low.

Harry W. McMillan, The Borden Company, Detroit, Michigan: This is a controversial subject. Credit limits can be determined by several methods. The two most commonly used methods are number of deliveries and dollar value. Credit limits based on deliveries are figured as follows: One week account—credit for five deliveries; two weeks' account—credit for nine deliveries; monthly account—credit for twenty deliveries. This method does not take into consideration the value of the merchandise delivered. Customers can take advantage of credit by this method by ordering eggs, butter, whipping cream, etc., with unlimited dollar value of credit for the period. Credit limits based on dollar value are arrived at by taking the number of units of fluid milk delivered at the current price and multiplying this value by five deliveries for one week's credit, nine deliveries for two weeks' credit, and twenty deliveries for one month's credit. On an order consisting of eight quarts of milk and two half pints of cream per delivery, and one pound of butter per week (using twenty-four cents as the price of one quart of milk and 25.5 cents as the price of one half pint of coffee cream), we arrive at a credit limit in dollar value as follows: One week—five deliveries × $2.43 (dollar value) or $12.15; two weeks—nine deliveries × $2.43 (dollar value) or $21.87; monthly—twenty deliveries × $2.43 (dollar value) or $48.60. (The price of butter is not included in arriving at above figures.) In using the dollar value credit limit, it is best to use even dollar value. As in the example above, the dollar value credit limit would be $13.00, $22.00, and $49.00, respectively. The above methods are based on what is known as Definite Day Delivery. One half of the route is delivered on Monday, Wednesday, and Friday, and the other half of the route is delivered on Tuesday, Thursday, and Saturday. We use the dollar-value limit and it has proved satisfactory over the years.

W. E. Menzenwerth, St. Louis Dairy Company, St. Louis, Missouri: Generally speaking, a prompt-paying retail account has no credit limit. Only a delinquent customer gives us the problem of establishing a credit limit. We remain flexible. Limits are established by common-sense cooperation with conditions (many factors—degree of slowness, income, health, habits, etc.—create these conditions). In areas predominantly inhabited by the poorer people, credit terms are established on a weekly or semi-monthly basis.

V. W. Phillips, Golden State Company, San Jose, California: The following factors should be considered in setting credit limits: 1. Income. 2. How long on present job. 3. Is he living in a low-cost housing area? 4. What is our credit experience in the area in which customer is living? 5. How long has customer lived at present address? If investigation of these factors indicates that the customer falls in the marginal credit risk group, the credit limit should be set to the customer's payday. In most cases this will be weekly. I prefer to set limits to the customer's payday rather than in dollars. It has been our experience this is the best way to keep the account active and current.

Items of Interest From the Nation's Capital

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Bankers Hear Views of Chairman of Federal Reserve System.—A recent address given by Wm. McC. Martin, Jr., Chairman of the Board of Governors of the Federal Reserve System, before the Investment Bankers Association of America, contains remarks so interesting and so pertinent to the field of consumer credit, and the health of the national economy, upon which retail sales and consumer credit depend, it seems the content should be reported to the extent space on this page permits.

"There's an apocryphal story about a professor of economics that sums up in a way the theme of what I would like to talk about. In final examinations the professor always posed the same questions. When he was asked how his students could possibly fail the test, he replied simply, 'Well, it's true that the questions don't change, but the answers do.'

"In our economic affairs, the major questions confronting us are in large measure hardy perennials: How do we attain and retain prosperity? How do we achieve normal healthy growth? How do we preserve the purchasing power of our money? The answers to these interrelated questions in the 1950's thus far differ in important respects from those of earlier decades.

"In the absence of war, or serious conflict among our people over political or social aims," said Mr. Martin, "the road to a substantially higher standard of living lies ahead of us as clear and as smooth as our modern turnpikes."

Mr. Martin cautioned, however, that "our ability to travel this road safely depends upon a *community of drivers* who understand and utilize the time-tested principles which are derived from our inheritance" (emphasis supplied). "The Federal Reserve System . . . was our earliest response to such a demand. It emerged out of the urgent need to prevent recurrences of such disasters as the money panic of 1907, and out of the thought that the Government had a definite responsibility to prevent financial crises and should utilize all its powers to do so.

"Accordingly, 42 years ago Congress entrusted to the Federal Reserve System responsibility for managing the money supply. This was an historic and revolutionary step. . . . Too few of us adequately recognize or adequately salute the genius of the framers of our central banking system in providing this organized bulwark of private banking and business. Since the Federal Reserve System came into being, the problems of inelasticity of currency and immobility of bank reserves—which so often showed up as shortages of currency or credit in times of critical need—have been eliminated, and money panics have largely disappeared.

"In this specialized respect there can be no doubt that the System has made notable progress, but in the more fundamental role of stabilizing the economy the record is not so clear. All of us in the System are bending our efforts to capitalize on the experience of the past, and our current knowledge of money, so as to make as large a contribution as possible in this direction. But a note should be made here that, while money policy can do a great deal, it is by no means all-powerful. In other words, we should not place too heavy a burden on monetary policy. It must be accompanied by *appropriate fiscal* and *budgetary measures* if we are to achieve our aim of stable progress" (emphasis supplied).

(Note: For those same reasons this column on numerous occasions has referred to the speeches and other releases of Senator Byrd [D. Va.] on fiscal and budgetary matters, because he is recognized as a leading authority, and because of his influential position as Chairman of the Senate Finance Committee.)

"World War II experience," Mr. Martin said, "led to growing concern over the effect of a straitjacket of controls on the economy's productive capacity. . . . It is true that in a great emergency we have been willing to make a departure from our market structure, but our mood has been that of the man who has to leave home for the confines of a bomb shelter."

Mr. Martin then said this on the subject of inflation: "There are some who contend that a little inflation—a creeping inflation—is necessary and desirable in promoting our goal of maximum employment. My able associate, Allan Sproul, President of the Federal Reserve Bank of New York, put his finger on the fallacy in this contention in testifying before a Congressional committee earlier this year when he said: 'Those who would seem to promote full employment by creeping inflation, induced by credit polity, are trying to correct structural maladjustments, which are inevitable in a highly dynamic economy, by debasing the savings of the people . . . what becomes of our whole system of long-term contracts, on which so much of our economic activity depends, if it is to be accepted in advance that repayment of long-term debt will surely be in badly depreciated coin.'

"If inflation would in fact make jobs, no reasonable man would be against it. But as I have frequently emphasized, inflation seems to be putting money into our pockets when in fact it is robbing the saver, the pensioner, the retired workman, the aged—those least able to defend themselves. And when the inevitable aftermath of deflation sets in, businessman, banker, worker, all suffer. That doesn't mean jobs. It means just the opposite.

"While the pendulum swings between too little or too much reliance upon credit and monetary policy, there is an emerging realization more and more widely held and expressed by business, labor and farm organizations that ruinous depressions are not inevitable, that something can be done about moderating excessive swings of the business cycle. The idea that the business cycle can be altogether abolished seems to me as fanciful as the notion that the law of supply and demand can be repealed. It is hardly necessary to go that far in order to approach the problems of healthy economic growth sensibly and constructively.

"It is the return to first principles in many parts of the free world that is the most significant aspect of world-wide recovery and progress outside of the iron curtain. And that, in turn, vastly brightens the hope of lasting peace.

"By first principles I mean time-tested basic concepts of the market place and the development of competitive private enterprise, with only that degree of Government interference or regulation necessary to prevent abuses and excesses. We see a return to these concepts here and abroad because other concepts have failed, and where there has not yet been a revival of these concepts economic troubles are acute.

"As I suggested at the outset, the basic problems, the questions, remain pretty much the same always. The answers are different—and no one would be so rash as to say that we have ultimate solutions for all of our problems. We can say confidently, I think, that we have discarded some wrong answers—that we have returned to some of those fundamental principles under which our society, our institutions, have flourished with incomparable benefits, benefits not merely material."

We thought that his message was a pretty good guide to start out with for the new year. ★★★

Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

The Institute Takes on a New Meaning to Retailers

Excerpts from the report of the President and Dean of the Canadian Credit Institute

PETER RUSSELL, F.C.I., Evans, Coleman & Evans, Ltd., Vancouver, British Columbia

A YEAR AGO, when you elected me as your President and Dean, I was conscious of the fact that every high honour carries with it a corresponding degree of responsibility. It has been a busy year and much has been accomplished, yet I feel, as have many of my predecessors, that the efforts to improve facilities for adult education are never really finished.

This has been a momentous year in many ways, and I think you will agree with me it has probably been the most historical since the granting of our Charter. It has been a year of many changes. The decision to withdraw the Associate Course is now effective and all registrants are required to take the new combined Three-Year Course, leading directly to the member (M.C.I.) degree. This change has been contemplated for some time and has been long sought by many of our members for two reasons: first, as the Institute is dedicated to serve management by supplying suitably trained personnel for their Credit Departments, it was felt we were letting them down badly in permitting our students to enter their firms only half trained; second, as business is constituted today, it simply does not have time to permit its staff to learn directly from practical experience. Therefore, it demands that those who would seek to safeguard the greatest asset of any business, the accounts receivable, must assist themselves by diligent academic training through some recognized course of study. The Canadian Credit Institute Course is the approved course in the credit profession, and the pioneer one in its field. By taking the course, graduates have all the advantages of over a quarter of a century experience of the most successful credit men across the whole of Canada, condensed into three years. Our graduates, upon completion of the course, proudly enter the gateway to advancement within their organization secure in the knowledge they have the necessary academic training and requirements to perform their duties efficiently with the utmost satisfaction to all concerned. Another important change is the extension of the length of practical experience required by our graduates from three to five years' minimum, before being granted their diploma. It is felt this will undoubtedly greatly enhance the value of the degree to the successful holder.

As you will see from the 1955-56 Syllabus, the three-year course has now gone into operation. To make this effective it required considerable revision of the former Junior and Senior Courses to make one consolidated course, and presented many difficulties. However, a special committee was appointed to deal with the matter and after many meetings and much deliberation, has presented a practical solution. Due to the masterly efforts of this committee, charged with the problems of inauguration of the single degree and the three-year course, I think it is proper that our membership should be made aware of its personnel comprising:

P. Guttman, director, Correspondence Courses Division; assistant director, Department of University Extension, University of Toronto, Toronto, Ont.

C. B. Flemington, F.C.I., F.C.I.S., Credit Bureau of Greater Toronto, director, Associated Credit Bureaus of Canada, Toronto, Ont.

B. Y. Haddy, F.C.I., Aurora, Ont.

J. Haigh, M.C.I., Canadian Kodak Sales Limited, Toronto, Ont.

H. L. Hulme, A.C.I., Aluminum Goods Ltd., president, Credit Granters' Association of Canada, Toronto, Ont.

In Appreciation . . .

This article is of intense interest to both credit bureaus and local units of the Credit Granters' Association of Canada in that it emphasises the important role the retail credit fraternity is now playing in the affairs of the Canadian Credit Institute. At our annual conference in Winnipeg in March, 1954, H. L. Hulme, A.C.I., President, Credit Granters' Association of Canada, was appointed sole representative of the organization to assist in revising the entire course of study together with those appointed by the Canadian Credit Men's Trust Association, Ltd., and the University of Toronto Extension Department. It has also been my pleasure and honour to act as the representative of the Associated Credit Bureaus of Canada in the same capacity.

Our duties have been completed and the new course has been adopted beginning with the 1955-1956 season. As your appointees we feel sure that you will endorse the part which the retail organizations have played in this connection and we may well take pride in the fact that we have decided to recognize the Canadian Credit Institute as our official medium of education. I wish to express to all bureau managers my thanks for the splendid support which they gave to the publicity relative to the three-year course through their Service Bulletins and other means. This has resulted in the enrolling of upward of forty students from the retail credit field and in this we are performing a real service to our members in assisting to equip their personnel for their duties.

It has been a pleasure to act for you in this endeavour and it is my hope that the bureau managers will continue their interest in the Institute and do all in their power to further its aims in promoting an active interest among all credit personnel who are desirous of advancement and recognition in their chosen field.

Carl B. Flemington

M. W. Osborne, M.C.I., Canadian General Electric Company Limited, Toronto, Ont.
E. T. C. Burke, Registrar and Bursar, Toronto, Ont.

As the committee was severely handicapped by having to complete its assignments to a certain deadline in order to meet the requirements of the University of Toronto in the preparation of their curriculum for the 1955-56 term, the thanks of the membership at large is due them for the diligent and expeditious handling of two difficult problems, and I extend my personal thanks for the worth-while contribution they have made to the Institute. I trust our members will fully realize and appreciate the untiring zeal shown by the gentlemen named above on behalf of the credit profession in general.

It has also been a year of expansion. As a result of representations made by the Council to The Associated Credit Bureaus of Canada and The Credit Granters' Association of Canada, negotiations were carried out and are now completed, to expand our course to meet the growing demand to provide a more comprehensive course of study for those engaged in retail trade. The special committee already referred to was given the task of formulating the necessary changes in our curriculum. Thanks again to the prodigious efforts and concentration put forth by the committee whose findings have been incorporated into the 1955-56 Syllabus. It should be noted by all concerned that the course as now constituted provides the graduates with an educational background which will enable them to perform their duties efficiently in either the wholesale or retail field.

As a further result of the successful negotiations, our course is now sponsored by The Canadian Credit Men's Trust Association Limited, the Associated Credit Bureaus of Canada and The Credit Granters' Association of Canada. Speaking for our Institute, we welcome the opportunity of contributing a greater service to a larger number and sincerely believe the new arrangements can be of mutual advantage and benefit to all three bodies.

At this time I would acknowledge the favourable publicity that has been given to the Institute by our co-sponsors in bringing to the attention of our members, by means of articles appearing in their *Service Bulletin* and The CREDIT WORLD, full particulars of the facilities offered by the Institute. I therefore thank Carl Flemington, F.C.I., Director, Associated Credit Bureaus of Canada, and Les Hulme, A.C.I., President, Credit Granters' Association of Canada, for their kind co-operation in this regard. As a result of these articles, it is anticipated many enrolments will be received.

As the standards of the course must be constantly advanced, a standing committee was appointed during the year to co-operate with the University of Toronto, whose principal responsibility will be to see that our course is maintained at the highest possible standard at all times. The assistance we receive from the University and its instructors is extensive and the Institute is deeply appreciative of their continued interest on our behalf.

During the year, a committee, drawn from highly selected credit personnel from coast to coast, was asked to prepare, in conjunction with The Guidance Centre of the College of Education of the University of Toronto, a monograph on the profession of "Credit Manager" for the use of vocational counselors throughout Canada and as a guide to young people desirous of entering the credit field. It should also prove useful to management in reviewing the standards now required so that they can assess their credit staffs and develop future personnel.

The sincere interest shown by the Council in the welfare of our students is not generally realized. To dispel any thought of the registrants being simply "one more number on our roll," the opportunity was taken to write over 400 students, conveying New Year greetings and at the same time a reminder to get down to serious study again after the festive holidays in order to be able to write the forthcoming examinations. This was followed by a further letter in April on "Some Pre-Examination Suggestions," which was thought might prove to be of some assistance to the students. The success or failure of this effort remains in the examination results. As a further evidence of the continued thought of the student being our prime concern and to give him every possible assistance, special reports were issued to chapter presidents and assistant bursars from time to time on the progress of the students in their respective areas, with instructions to see that proper aid was available if required.

It is of extreme interest to the Council to learn that a greater number of firms now recommend that their members take our course. This support, which I gladly acknowledge, is shown in various ways; some firms pay the entire student fees, others allow a 50 per cent rebate on successfully completing the course. I know of many who pay the entire fee to the local bursar and then prorate the cost by payroll deductions over the following year, but still allow a 50 per cent rebate on attaining the degree. ★★★

editorial comment

A Realistic and Cooperative Approach To an Important Problem

N.R.C.A.'s Credit Granters' Relations Committee, Chairman, Kenneth Oetzel, Boyd's, St. Louis, Mo., and James Friedeman, Famous-Barr, St. Louis, Mo.; the Credit Management Division, N.R.D.G.A.'s Credit Bureau Relations Committee, Wayne C. Stokes, Marshall Field & Company, Chicago, Ill., and Wallis Hocker, Charles A. Stevens & Co., Chicago, Ill.; and the ACBofA's Credit Granters' Relations Committee, Chairman Donald Blatzheim, Amarillo Credit Association, Amarillo, Texas, and William F. Tobin, Credit Bureau of St. Louis, St. Louis, Mo., met with the Executive Committee of the Associated Credit Bureaus of America in St. Louis, November 18, 1955. The purpose of this meeting was to find ways and means of promoting improved credit bureau and collection service through streamlined methods of operation.

A harmonious and sincere spirit of willingness to cooperate animated this meeting. There was much frank and friendly discussion. Out of it came, first, a clearer understanding of the mutual problems involved and, second, a unanimous decision on the part of all concerned to take positive steps toward their solution.

The National Retail Credit Association accepts in principle the recommendations made by these three committees and will work diligently toward their fulfillment. All N.R.C.A. members are urged to give their fullest cooperation in whatever measures are undertaken in their local communities to accomplish the objective of full, accurate, and speedy credit bureau service as outlined in the Pledge below. The Pledge was part of a recommendation made to the three committees by Mr. Stokes and Mr. Hocker who originated the program.

CREDIT MANAGER'S PLEDGE OF COOPERATION

1. I pledge myself to follow consistently the practice of answering all credit inquiries from the cooperating credit bureau of my choice within 24 hours.
2. I pledge myself to experiment with the streamlining of my own credit information needs, in order that the pilot group may thus develop a standardized credit service required by subscribers.
3. I pledge myself to help speed the clearing of inter-bureau reports by providing on our inquiries the necessary antecedent information, including previous residence address, present and former employment, and bank and credit references.
4. I pledge myself to work closely, through exchange of information and discussion at meetings, with my own local group, including the manager of the credit bureau of my choice, to achieve the objectives of the pilot group.

It is the purpose of this plan to ask a pilot group of credit sales managers to sign this Pledge and a similar group of credit bureau managers to sign a matching Pledge. The experiment and its results will be reported on at the C.M.D. Conference at Washington, D. C., in May, 1956, and at the International Consumer Credit Conference at St. Louis, Missouri, in June, 1956.

The objective of this announcement is to publicize the plan and to assure you that something *is* being done in this vital area of retail credit management. We invite letters from members indicating their willingness to serve as part of pilot groups and to sign the Pledge of Cooperation. This joint effort is definitely a long step forward. All of us have much to gain by a realistic and cooperative approach to our problems. Your assistance will go far toward improving and accelerating credit bureau service. On receipt of your letter, full details will be sent to you.

L S Crowder

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION

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THE sale of millions of the old application blank indicates its popularity. The revised form is the result of changes suggested by members. The national emblem adds to its effectiveness.

The actual size of the form (reproduced below) is six inches by nine inches. Printed in one color. Blocked in pads of 100. Prices: 100, $1.25; 500, $5.00; and 1,000, $8.50. *Postage is extra.*

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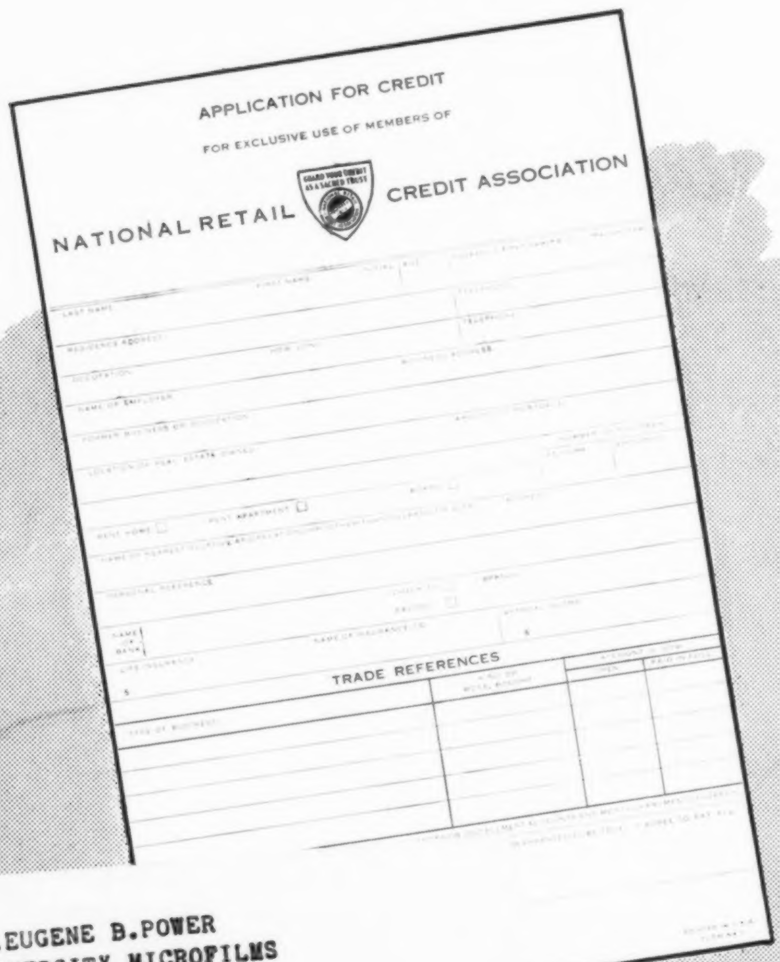
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